

INTERNATIONAL CAPITAL MARKETS

David Lascelles reports from Tokyo on a grudging concession to U.S. pressure

Japan keeps firm grip on Euroyen market

SIX WEEKS from now, on April 1, Japan is due to throw open the near-dormant Euroyen bond market, fulfilling part of its pledge to the U.S. to internationalise use of its currency.

At the summit between President Reagan and Prime Minister Nakasone in Tokyo last November, Japan agreed to allow domestic borrowers to tap the offshore yen market, which has been used exclusively by non-Japanese borrowers, and then only official institutions like the World Bank which meet the Japanese Ministry of Finance's strict credit standards.

The Bank of Japan estimates the size of the market at about the equivalent of \$30bn. A fraction of the trillion dollar plus Euroyen market. In the event years it has existed, there have been only 24 issues. The Nakasone Government—under intense pressure from the U.S.—reluctantly accepted that the yen should be allowed to play a larger international role, in line with Japan's standing on the world trade scene. This market in its currency overseas. But the Bank of Japan harbours serious misgivings about the Euroyen market. The decision to open it up was apparently taken by the Finance Ministry, behind its back. Even the Ministry is divided. Officially, the Government is drawing up guidelines for the market which should be allowed to use it, and on what terms. But this is to some extent a show of activity for the purposes of the meeting in a couple of

weeks time between the U.S. Treasury and the Finance Ministry to review Japan's progress on its summit promises. The real test is whether the Japanese come to the market after D-Day, and the answer at the moment is no. The guidelines are likely to limit access to the Euroyen bond market to Japan's top notch blue chip companies. But a much more crucial, though technical, question is tax. The tax authorities are refusing to exempt interest payments on Eurobonds from Japan's 20 per cent withholding tax, which means they will have no appeal to investors in the Euroyen market. The obvious way round this—allowing Japanese companies to set up offshore finance subsidiaries as U.S. corporations—is under study but is not likely to win favour with the authorities. Mr Moriyama Yamada, international managing director at

Nomura Securities, the largest Japanese underwriting firm, said yesterday: "Until the tax situation is resolved, there won't be many issues." If and when the market does come alive, it could have a major impact on Japan's domestic corporate bond market, which is another reason why it is being handled with caution. Being much less tightly regulated, hence cheaper, the Euroyen market would be highly attractive. A major difference would be the absence of Japan's traditional requirement that bond issues be backed by collateral. Commercial banks, which usually collect fees for acting as trustees of the collateral, also stand to lose business if Japan's top corporations turn to the Euroyen market. This has made them hostile to the plan, particularly since Japan's Glass-Steagall-type bank laws prevent them from underwriting securities issues. Japanese corporate treasurers,

for obvious reasons, want to see the market opened up. They are already turning increasingly to foreign markets for their money to escape Japanese restrictions. Last year, they raised nearly half their total new capital outside the country. According to Mr Yamada at Nomura, this is because they are "disgusted" with the local markets. Like many people here, he maintains that Japan should liberalise its domestic markets. But failure to set the Euroyen bond market going on schedule will be more of a test of international financiers' ingenuity than a disaster. Bankers here say they expect brisk business in alternatives like currency swaps (raising money in another currency and swapping it into yen) and in so-called yen-linked dollar issues: bonds that are denominated in dollars but treated as if they were in yen. A U.S. banker said: "They're messy. But they get round the problem."

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for February 9.

Table with columns: U.S. DOLLAR STRAIGHTS, Issue, Issued, Bid, Offer, Day, Yield, etc. Includes various international bond issues like Australia, Canada, Denmark, etc.

Table with columns: DEUTSCHE MARK STRAIGHTS, Issue, Issued, Bid, Offer, Day, Yield, etc. Includes various German bond issues like A.R.A.S., Arab Banking Corp, etc.

Table with columns: SWISS FRANC STRAIGHTS, Issue, Issued, Bid, Offer, Day, Yield, etc. Includes various Swiss bond issues like Bank of Tokyo, etc.

Electricite de France cashes in on buoyant trend to swap debt

BY MARY ANN SIEGHART IN LONDON

ELECTRICITE de France is taking advantage of a buoyant Eurodollar floating rate note market to refinance its existing debt at a lower cost. It has launched a \$400m FRN issue through lead managers Banque Nationale de Paris, Credit Suisse First Boston (CSFB), Citicorp and Deutsche Bank.

Two fixed-rate Australian dollar issues were launched yesterday, with unhappy timing. The market in that currency is generally considered too small to absorb more than one issue at a time, and the AS50m issue for the Primary Industry Bank of Australia is only a week old.

In Switzerland, Kyushu Electric Power is raising SwFr 100m through an eight-year bond led by SBC. The indicated yield is 5% per cent.

The notes have a 15-year life and pay 1/2 point over the six-month London interbank offered rate at par. With total commissions to managers of 0.875 per cent, the all-in compounded cost to EDF is just 0.24 per cent over Libor. The issue was well-received, trading at a discount around its selling concession of 0.65 per cent.

Meanwhile, the State Bank of New South Wales is raising A\$40m through a five-year bond paying 12% per cent at par, led by Morgan Stanley, Samuel Montagu and Salomon Brothers. The issue was reported to be selling slowly at a discount of 1 1/4 points.

The Province of Quebec's bulldog bond has been given a coupon of 12 1/4 per cent at a price of 97.8 by lead manager S. C. Warburg. This gives a yield of 12.532 per cent.

ENI boosts Ecu loan in response to demand

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

ENIte Nazionale Idrocarburi (ENI), Italy's state energy conglomerate, has asked its bankers to increase the loan it is raising in the Euro market to Ecu 450m from Ecu 250m because of very heavy oversubscription.

The loan has attracted 31 lead managers and total underwriting commitments of more than Ecu 600m, confounding critics who believe that the deposit market in European currency units, the currency basket of the European Community, was too thin to fund large Eurocredits.

Its success is likely to attract other borrowers into this market, especially those from Italy and France which are seeking to diversify away from borrowings in U.S. dollars. But bankers are still cautious about the scope for a series of large Ecu credits. Sweden's E300m credit last year revealed unexpected depth to the sterling credit market, but the size of its loan has not been matched since, and some bankers feel the situation in the Ecu market is similar.

A feature of the ENI deal is that many of the lead managers are U.S., Japanese and Canadian institutions, with a relatively small commitment coming from banks in the EC. The loan is being assembled by Morgan Guaranty, Istituto Bancario San Paolo di Torino, Bank of Tokyo and Banque Indosuez and will now go into limited syndication at the smaller participant level.

The lead group has been assembled in only a week despite the Chinese new year holiday in Hong Kong. It is an eight-year credit divided into two tranches. One totalling \$450m bears interest at 7/8 per cent above London Eurodollar rates, while the other totalling \$150m carries an 0.2 per cent margin over U.S. prime.

Table with columns: WEEKLY U.S. BOND YIELDS (%), Feb 8, Feb 1, High, Low. Includes Composite Corp. AA, Government, Long-term, etc.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT Washington, D.C. DM 200,000,000 8% Deutsche Mark Bonds of 1984, due 1994. Includes interest, offering price, and repayment details.

U.S. \$150,000,000 CREDITANSTALT-BANKVEREIN Subordinated Floating Rate Notes 1996. Includes Merrill Lynch Capital Markets, European Banking Company, and other financial institutions.

EUROPEAN NEWS

Portuguese minister assails investments in public sector

BY OUR LISBON CORRESPONDENT
PORTUGUESE Governments \$1.4bn. have poured ill-advised investments totalling \$1.5bn into state-owned industries over the past six years, 60 per cent of which will never be recovered, according to Sr Veiga Simao, the Minister for Industry and Energy.

John Wyles in Brussels describes the implications of technical bankruptcy for the Common Market
EEC Budget: What happens when the money runs out?

AS EACH week passes without any tangible progress towards a settlement of the European Community's agricultural and budgetary crises, the thrill of apprehension deepens in Brussels. Nervously, and with some dread, diplomats and officials focus more and more on one simple question: "What happens when the money runs out?"

Yes, it could, but the possibilities are either legally dubious, politically unattractive, or both. Previous custom and practice is, however, ruled out. There can be no resort to a supplementary budget because the Community has already budgeted to spend all but 43m Ecu of funds available within the 1 per cent VAT limit.

Farm spending will be the target if the EEC runs out of cash. Doomsday predictions suggest misery, degradation and even revolution in the country side if the CAP is brought to its knees.

Article 200 of the Treaty to begin member states for ad hoc contributions. This move, even if legally possible, and other stratagems for handling the budget crisis, would run up against the reality of British policy however.

Council of Ministers. If there was no agreement by the end of March, then the Commission would probably set on foot a threat to withdraw all its price and reform proposals.
What could governments themselves do if the money runs out?
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M LAURENT FABIOUS
Twin attacks leave popularity in tatters

BY PAUL BETTS AND DAVID MARSH IN PARIS
M LAURENT FABIOUS, the youthful French Minister of Industry, is bracing himself for a winter spell. By the side of his neat desk in his imposing ministerial office, logs are piled up in an unusually large number by the fireplace.
Nearly a year after he took over the industry and research portfolio from the always controversial M Jean Pierre Chevènement, M Fabius' honeymoon is over. A protégé, practically a favourite son of President Francois Mitterrand, he came into office promising a pragmatic, market-orientated and low profile approach to France's industrial problems.

National Savings Deposit Bond

DESCRIPTION
1 National Savings Deposit Bonds (NBs) are Government securities issued by the Treasury under the National Loans Act. They are registered on the National Savings Stock Register and are subject to the Statutory Regulations relating to the National Savings Stock Register for the time being in force, so far as these are applicable. The principal of, and interest on, bonds are a charge on the National Loans Fund.

NATIONAL SAVINGS DEPOSIT BOND - Application to purchase
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Address
Postcode
Date of birth, Day, Month, Year
NAME AND ADDRESS TO WHICH ALL CORRESPONDENCE SHOULD BE SENT
Name, Address, Postcode
Signature, Date

Low-key approach
M Fabius' low-key approach and his knack of side-stepping some of the more explosive doers have caused resentment among members of his own party. In the National Assembly this week, he came under attack from Socialist deputies complaining about a lack of consultation. And he has come under fire from both Right and Left for his handling of the salvage of La Chapelle d'Arbilly, France's largest and sick paper-maker which is based in M Fabius' constituency of Rouen.

هكذا صحت القصة

EUROPEAN NEWS

Hard bargaining is expected on aid to ACP countries

BY IVO DAWNAY IN BRUSSELS

TALKS AIMED at renewing a third trade and aid pact between the African, Caribbean and Pacific (ACP) countries and the European Community opened yesterday with both sides striking a notably conciliatory tone after tough exchanges earlier in the week.

It is hoped that the new ministerial-level negotiations will clear the way to a new Lome Convention for ratification by next February.

The current two-day session in Brussels is faced, however, with a series of hard bargaining sessions over the criteria for EEC aid donations which totalled about \$5.5bn (£2.8bn) over the last five-year agreement.

Earlier in the week, M Edgard Pisani, the EEC's development commissioner, told journalists that some member states might be reluctant to support the treaty if the 84 ACP countries failed to enter a new "policy dialogue" on how funds are spent.

He added that there is also pressure for the inclusion of an article requiring aid recipients to respect human rights. This latter demand follows wide-spread embarrassment among EEC countries at having to continue aid to countries governed by notorious dictators.

M Pisani's remarks brought a swift reaction from Mr Hugh Shearer, the ACP council president, who warned that the developing countries would not accept aid if conditions were attached which breached the principle of national sovereignty.

"There is a mutual benefit from the relationship between the ACP and the EEC, and an agreement must be reached on the basis of complete equality between the two parties," he said.

Despite this exchange, M Claude Delsol, the French president of the EEC's foreign ministers' council, emphasised in his keynote speech yesterday that the Community acknowledged the principle of interdependence, recognising the "desperately serious" situation faced by developing countries' economies.

Britain urges caution on emerging technology arms

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

MR GEOFFREY PATTIE, the British Minister of State responsible for defence procurement, yesterday made a strong plea for caution on the introduction of so-called emerging technology (ET).

In the first public speech on the subject by a British minister since it became an important issue within the Nato alliance, he said that the use of ET for defence purposes was subject to very real constraints, both as to the extent of its use and the speed with which it should be introduced.

Emerging technology could provide one way of helping to reduce Nato's reliance on nuclear weapons by improving its conventional defence, Mr Pattie said.

But it could in no sense be considered a panacea. The new technologies were costly and posed serious problems for European industry in particular. Weapon systems based on them still needed much study to determine their technical feasibility and effectiveness.

Mr Pattie was careful not to criticise overtly Mr Caspar Weinberger, the U.S. Defence Secretary, who has been urging Nato to agree a programme

New Greenland terms

BY JOHN WYLES IN BRUSSELS

THE EUROPEAN Commission has produced more generous proposals to facilitate Greenland's withdrawal from the EEC, based on an annual "purchase" of fishing rights for European Community boats in Greenland waters.

These negotiations have lasted for more than a year. Success or failure has hinged on the Community securing sufficient access for its fishermen - principally West German - to waters whose fish provide the Greenlanders' main income.

Greenland wants to withdraw by January 1 next year.

The main point of the new proposal is the payment of Ecu 18.5m (\$15m) a year, in return for continued access for EEC fishermen for five years. Their catches of cod, shrimp, halibut and redfish would be maintained at current levels, but Greenland fishermen will be guaranteed their full quotas before the Community is entitled to its catch.

The Commission is maintaining its earlier proposal of a ten-year framework agreement granting Greenland overseas country or territory status, which would allow its fish products free access to the Community and qualify it for some grants and loans.

Romanian officials sacked

BY DAVID BUCHAN IN LONDON

SEVERAL SENIOR officials in the Romanian petrochemical industry have been dismissed or disciplined this week over a serious refinery explosion two months ago, which killed more than 100 people and has increased problems in this troubled sector of the Romanian economy.

The most prominent political casualty of the blast at the Teleajen plant is Mr Gheorghe Caranfil, Minister of the Chemical Industry since 1980.

Dismissal of Mr Caranfil and his deputy was ordered by the Communist Party's ruling political committee, which this week accused them of failing to ensure "conditions of full security" in the start-up of the Teleajen plant.

CAR ENGINES TO BE BUILT IN EAST GERMANY

Double benefit seen in VW deal

BY RUPERT CORNWELL IN BONN

A PLANNED deal for the production of Volkswagen car engines in East Germany has been warmly welcomed here, both as a political symbol and for the economic advantages it offers both countries.

The agreement is expected to be signed this summer, according to the West German company. It should run from 1988 to 1993, although VW is hoping it will provide the basis for even longer-term co-operation.

The deal provides for Volkswagen to supply equipment for a full-scale engine assembly line, capable of producing about 300,000 units per year, as well as light vans. Of these, 2,000 will be shipped to East Germany upon formal signature of the contract, and a further 2,300 annually for the five-year life of the agreement.

The total value of the deal is estimated here at around DM 600m (£150m). East Germany will not have to dig into its precious resources of hard currency, but make payment through engines it sends back to the West.

HERR GERT BASTIAN, a former tank general and a leading figure in the West German "peace movement," yesterday quit the parliamentary party of the Greens in the most serious setback for the young party since it entered the Bundestag last March, writes James Buchan.

Herr Bastian (59), who has repeatedly criticised the chaos and inefficiency of the Greens parliamentary party, will now sit as an independent. Should he be followed by two other deputies from the disgruntled group, the Greens will lose their privileges as parliamentary party and face political and financial disaster.

Herr Bastian, a man of great authority for the Greens' 2m voters, demanded last month that professionals be brought in to replace some of the group's "backers-up," who are supposed to take over from the 28 deputies halfway through the Parliament under the Draconian insistence of party congresses. "It's tragic," said one member of the group yesterday. "Green retired generals are few and far between."

The first contacts for the deal are reported to have taken place in summer 1982. But VW only won the contract after beating off competition from Renault and Mazda.

That it did so is also being hailed here as proof of the mutual interest of the two German states to work together, despite the present fraught state of East-West relations.

In recent days, there have been conflicting pointers to the climate in East Germany. Some reports have claimed that the authorities there have clamped down further on contacts with relatives and friends in West Germany.

Others, however, suggest that East Berlin is about to grant an exceptionally large number of exit visas for would-be migrants to the West. This has, in turn, been linked to new suggestions that East Germany is seeking further financial aid from West Germany - something Bonn insists should be conditional on an improved human rights performance.

The new plant, whose site has not yet been settled, is expected to manufacture engines in the 1-1.3 litre class. Of the total output, 100,000 will be shipped back in basic form to West Germany for completion. The remainder will be available to power Wartburg and Trabant cars made by East Germany - and thus, according to analysts here, boost the export potential of these models.

The agreement is a milestone in VW's efforts to gain a solid footing in Eastern Europe. Recently, Renault and Citroen, two French carmakers, won orders to supply equipment for production of a diesel lorry engine. VW's previous East German success was an order for 10,000 of its Golf model, placed back in 1977.

Greece may halt operation of U.S. bases

BY ANDRIANA IERODIACONOU IN ATHENS

THE Greek Government of Mr Andreas Papandreu has officially warned the U.S. that it may suspend the operation of the four American military bases in Greece if the Reagan Administration's fiscal 1985 aid proposals for Greece and Turkey are not amended in Greece's favour.

The idea of suspending the base activities in reaction to the U.S. aid proposals was put forward by the Greek Prime Minister, in a headline speech to Socialist Party officials this week.

A Government spokesman said that the Greek position had also been officially conveyed to Mr Montague Stearns, the U.S. ambassador to Athens and to Mr Ed Derwinski, the State Department envoy, who visited Athens this week on a tour of the region.

Greece is protesting because the U.S. military aid figures of \$500m for Greece and \$755m for Turkey for 1985 do not conform to a 7-10 ratio in Greece's favour. The U.S. Congress has applied this ratio informally since 1978, when an amendment was introduced in U.S. aid legislation specifying the need to maintain a balance of power in the Aegean.

The Papandreu Government secured a reference to this amendment in the Defence and Economic Co-operation Agreement (Deca) signed in Athens last September. This ensured the operation of the U.S. bases for at least another five years.

The Americans have also undertaken in the framework of the agreement to provide Greece with military credits (SMS) at repayment rates not less favourable than those granted to other allies.

Greece is accusing the U.S. of violating this agreement. Apart from the departure from the 7-10 ratio, the Greeks are disturbed by the Reagan Administration's proposals for the introduction of a concessionary SMS rate, to be granted a select list of allies. Turkey, but not Greece, is on the list.

Article Seven of the Greek-U.S. base agreement grants the Greek Government the right to take "appropriate restrictive measures" to safeguard national interests in an emergency.

Oslo sets date for UK deal

By Richard Johns in Oslo

NORWAY wants a conclusion by the end of next week to negotiations between Statoil and the British Gas Corporation on the sale to the UK of gas from its Sleipner field.

In an interview in Oslo, Mr Kaare Christiansen, Minister of Oil and Energy, said that if the deal was not completed by February 20 the Government would have to submit a development plan promising an alternative source of revenue, by about 1990, to the Storting (parliament).

Mr Christiansen expressed confidence however, that agreement would be reached. "You never have solutions till the last round but one," he said, emphasising what he regarded as a common interest between Norway and the UK. "One faces a drastic revenue shortfall at the turn of the decade and the other prospect of an equally alarming fall in gas prices."

Mr Christiansen is to meet Mr Alick Buchanan-Smith, UK Minister of State for Energy, at a private seminar this week.

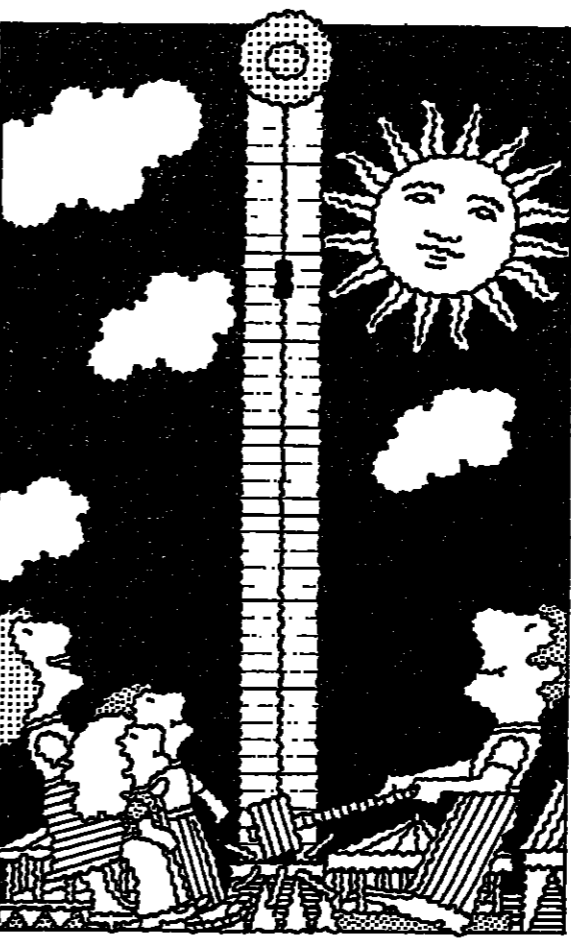
The Norwegian Minister said that the other option being considered by his Government was the go-ahead for a second phase of the Gullfaks oilfield.

Mr Christiansen made no bones about his Government's concern to maintain oil and gas revenues early in the next decade when output from fields presently being exploited or under development will plunge.

Bluff and brinkmanship have entered into the negotiations between the Government-owned Statoil and British Gas. Previously an end-of-1983 deadline was set by the Norwegians and apparently accepted by the UK public utility.

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WALES WORKS WELL IN MID GLAMORGAN

CABINET TO DECIDE NEXT MOVE ON SUNDAY

Israel may reassess 'wait and see' stance

BY DAVID LENNON IN TEL AVIV

THE FIRING of three Katyusha rockets into northern Israel yesterday may force the Israeli Government to reassess its earlier decision to wait and see before determining what action, if any, it should take in Lebanon, following the developments of last week.

The victories of the Moslem Shias in Beirut and the withdrawal of the U.S. marines are acknowledged as setbacks for Israel, but officials in Jerusalem said yesterday that it was still too early to assess the extent of the damage to its interests.

Because of this, the cabinet decided to postpone any decision until its regular cabinet meeting on Sunday. But the fact that rockets were fired into Israel yesterday, after one of the declared aims of the 1982 Israeli invasion was to prevent such attacks, may mean that the Government will have to decide on some immediate response.

Israeli forces in southern Lebanon had already been put on the alert before the shelling, according to military officials. Warnings had also been issued by the government to hostile forces not to move against Israeli troops in the south.

There are continuous consult-

ations between Jerusalem and Washington over developments in Beirut, but, according to the military officials, the U.S. only "half-heartedly" asked Israel if it would intervene if the situation in the Lebanese capital deteriorated drastically.

Until yesterday's rocket attack, Jerusalem had been refusing all appeals to come to the help of President Amin Gemayel, because it has abandoned its dream of creating a new order in Lebanon. Israel is now concentrating on finding ways of cutting its losses both politically and in terms of casualties being suffered by its soldiers.

Israel's goal is to find a way of reducing its military presence in Lebanon, while at the same time ensuring that the south is not used again as a launching pad for terrorist attacks against northern Israel, such as that of yesterday.

The events of the past few days have considerably narrowed the options available. The defeats and defections suffered by the Lebanese army make remote the possibility that regular army units could move south to take over Israel's policing role.

Similarly, the successes of



forces in Lebanon.

The most realistic option appears to be a limited withdrawal of Israeli forces, to align south of the Awali river possibly to the Zahrazi River. This would reduce the area under Israeli occupation, and remove Israeli forces from Sidon, where they have suffered many casualties.

It would also drastically reduce the number of Moslems under Israeli occupation and thus, perhaps, make it easier for Israel to build up friendly militia forces among the Christian communities, which could help keep out the Palestinian guerrillas.

Of course, the big problem over any withdrawal is who would take over the areas evacuated and how to guarantee that they are no hostile to Israel. So far, Jerusalem does not have an answer to this question.

There appears to be some difference of opinion at the decision-making level in Israel over the impact of the marine evacuation on this problem. Some argue that it makes it more difficult for Israel to pull out, while others believe it presents an opportunity to withdraw without being accused of abandoning the U.S. ground

large extent, stillborn, and never ratified by President Gemayel, an abrogation of the treaty would be regarded as yet another failure of the disastrous war in Lebanon.

Because abrogation would require a decision by the Lebanese Parliament, something which might be problematic, Israel is hoping that perhaps Syria will be content with a declaration by President Gemayel that it has been frozen.

Officials here accept the likelihood that, if President Gemayel is to remain in power, he will have to accept Syrian dictates and, in effect, become a puppet of Damascus.

Though unwelcome, it is a less awful prospect for Jerusalem than the appointment or election of a really hostile Lebanese figure as president, something which could turn Lebanon into a confrontation state for the first time.

If this were to happen, Israel would be face to face with the realisation that in its foolhardy attempt to try to reorganise Lebanon by its military invasion in 1982, it may have, in fact, created a more dangerous neighbour than it had before sacrificing 567 of its soldiers.

S. Koreans offer to meet North over unity move

SOUTH KOREA yesterday offered to meet North Korean representatives for the first time in four years to give them its official response to the North's offer for reunification talks. Reuter reports from Seoul. The Government said two officials would travel to the border at Panmunjon today to deliver the message from Prime Minister Chin Lee-Chong to his newly appointed counterpart, Mr Kang Sung-San.

● Burma's Supreme Court yesterday rejected an appeal against death sentences imposed on two North Korean army officers for the October bomb blast which killed 21 people, including four South Korean Cabinet Ministers. Reuter reports from Rangoon.

Chinese Premier Zhao Ziyang is confident there will be a satisfactory outcome to the Sino-British talks on the future of Hong Kong. Australian Prime Minister Bob Hawke said, reports Reuter from Peking. Mr Hawke is on a six-day visit to China, primarily to discuss trade matters.

Australia jobless

Australia's seasonally adjusted unemployment rose to 9.5 per cent in January from 9.2 per cent in December and the same level in January a year ago. Reuter reports from Canberra. The Statistics Bureau said yesterday that preliminary figures put the number of jobless at 667,500 against a revised 649,200 in December.

India death sentence

Mr Mawbool Butt, the Kashmir extremist leader whose release was demanded by the group who claimed responsibility for the murder of an Indian diplomat in Britain, will be executed in New Delhi jail on Saturday, Reuter reports. Mr Butt is sentenced to death for the murder of an Indian intelligence officer.

Iran-Iraq peace move

Iran has agreed to send Foreign Minister Ali-Akbar Velayati to Japan for talks on ending the Iran-Iraq war, writes AP from Tokyo. Japanese Foreign Ministry officials said Iraq had also been asked to send its Foreign Minister.

Manila set to suffer further delay in IMF credit approval

BY EMILIA TAGAZA IN MANILA

THE PHILIPPINES' application for an SDR 615m (£451m) standby credit from the International Monetary Fund (IMF), in the works for more than five months now, faces another major delay and may not be approved until May.

The IMF, which last year, discovered an overstatement in the country's foreign exchange reserves, has again found inconsistencies in the central bank's money supply figure.

An IMF mission is currently reassessing the central bank's records and the review will form the basis of complete revision of conditions in the Letter of Intent submitted by the government last November. With revised base figures, the Letter of Intent, which will govern the IMF credit, will set new targets for credit growth, public spending and the balance of payments deficit.

The delay further pushes the Philippines into a debt trap, since only an approval of the IMF facility can help the government properly negotiate a rescheduling of some \$103m (£7bn) in foreign debts and for the acquisition of about \$30m in fresh funds from commercial and official sources.

The delays have exacerbated chronic shortage of foreign currency which is causing a virtual standstill in local industries which are heavily dependent on raw material imports. Since last month, numerous companies have been retrenching and shutting down operations, throwing hundreds and thousands of Filipinos out of work.

Malaysian King elected

BY WONG SULONG IN KUALA LUMPUR

SULTAN MAHMOOD of Johore, a strong critic of Dr Mahathir, the Malaysian Prime Minister, has been elected as the new Malaysian King, a previously ceremonial position which has now assumed political importance following last year's constitutional crisis between the Malay Sultans and the Government.

He will take office as the eighth Yang Dipertuan Agung (King) on April 26, and will reign for five years.

Under the constitution, the nine Malay Sultans elect one among themselves to be the Malaysian King once every five years.

The discovery of the inflated money supply came close on the heels of the foreign reserves controversy which led to the resignation of former central bank governor Jaime Laya and

Cardinal Jaime Sin yesterday accused President Ferdinand Marcos of using "candy and brass knuckles" to ensure his party would stay in power even if it lost its majority in the May parliamentary elections, AP reports from Manila.

The Roman Catholic leader, however, did not spare the opposition a tongue-lashing. He criticised them for being as "rigid and unbending" in their demand for Marcos to resign as the president is "inflexible" in his refusal to give them genuine political concessions.

the appointment of Mr Jose Fernandez, a private banker, to the post.

In spite of the central bank's programme for tightening liquidity there has been a remarkable increase in money supply, particularly in November and December last year when the government was supposed to have been finalising austerity measures with IMF.

The December money supply figures showed a 38.2 per cent increase over the same month last year. Sycip Gorres Velayo (SGV), the accounting firm hired to audit the central bank's books, attributed the money supply rise to the emergency loans

Lebanese Unifil force eyes Beirut peacekeeping vacuum

BY ROGER MATTHEWS, MIDDLE EAST EDITOR

IT IS not easy to overlook armed men in Lebanon, but there is an almost forgotten group of 5,310 soldiers whose role could become increasingly important during the coming months.

The group consists of 624 Fijians, 531 Finns, 926 French (to be joined soon by another 500), 741 Ghanaians, 732 Irish, 40 Italians, 164 Dutch, 849 Norwegians, 560 Senegalese and 143 Swedes — the UN Interim Force in Lebanon, or Unifil.

These soldiers took up their positions south of the Litani River in Southern Lebanon following the Israeli invasion of March 1978. Their invasion, known as the Litani operation, was aimed at pushing Palestinian guerrillas out of artillery and rocket range of Northern Israel.

Unifil's mandate was to provide a buffer between the opposing forces, although it was unable to undertake its full anticipated role because Israel interposed the force of the late Major Sa'ad Haddad, a renegade Lebanese army officer, on a

EIGHT soldiers from the United Nations peacekeeping force in South Lebanon were fired on by members of the Israeli-backed Lebanese border militia, the UN said yesterday, AP reports from Tel Aviv.

Mr Timur Goksel said the soldiers, members of the Ghananian contingent of the UN Interim Force in Lebanon (Unifil), returned fire, wounding one militiaman and capturing two others in the clash.

narrow strip of land along its border.

When Israel again invaded Lebanon in June, 1982, its armour and troops advanced straight through Unifil's positions. Apart from one or two bravely futile efforts by UN troops to remonstrate with the Israeli army, Unifil did not put up any resistance and has remained for the past 20 months behind Israeli lines.

With Israel deeply concerned at the casualties it is suffering in Lebanon and the planned withdrawal of the troops of the non-UN multinational peacekeeping force in Beirut, diplomatic efforts are again focusing on the possible future deploy-

"The two men detained admitted they were with the Israeli-sponsored militia and said they wanted to hijack the soldiers' UN jeep. The two were later handed over to the Israeli army, and Unifil protested about the incident to the Israeli army," he said.

He said the incident occurred two miles east of Shaqra inside the border enclave patrolled by militiamen from the force of the late Maj. Saad Haddad.

ment of a new or expanded UN presence in the area.

UN officials in New York are proud of the achievements of Unifil, despite bitter criticism of the force from Israel before the 1982 invasion. They now believe that Israel is better placed to appreciate Unifil's success in preventing Palestinian guerrilla infiltration, achieved with a minimum of force. Palestinian and Left-wing Moslem guerrillas were in the end reduced to using hang gliders and hot-air balloons to get past Unifil, officials in New York recalled last week.

The Unifil mandate comes up for renewal in April and there is a belief at UN headquarters that it could soon again play an effective role. This is based on the understanding that Israel is anxious to withdraw from the town of Sidon and re-establish its southern defensive line on the Zahrazi rather than the Awali river. This could present an opportunity for part of Unifil to move northwards and revert to its original task.

to contribute to a Beirut force because of the experience of the U.S., French, Italian and British troops.

It was a basic error in peacekeeping operations to provide heavy firepower for the troops involved, he said. "When they are heavily armed, they tend to become a target and to become caught up in any fighting. Once that has happened they are bound to be seen as partisan by one side or the other, and that is precisely what has happened in Beirut."

The most hopeful sign that the UN might have a role to play in the Beirut area came late last month from Mr Farouk al-Shara, the Syrian Minister of State for Foreign Affairs. He said during an interview in Damascus that Syria would not reject in advance the possible deployment of UN troops. "We might consider it, although of course it has not yet been proposed. We will not propose it ourselves, but we will not reject it. We are ready to study any proposals, provided the Lebanese agree," he said.

CORPORATE CULTURE

Up to now the image of industry projected visions of severity. Minimal commitments to environment and community. Of form and design which followed function, but ignored aesthetics. But times have changed.

Today, culture is affecting industry. The corporation has to be part of the community. Not vice versa. Good working environments are not only essential towards better production. They are a social responsibility. The new Renault Centre in Swindon, near London, shown in the photograph, is a blending of form, function and aesthetics.

Designed by Norman Foster, one of Britain's leading international architects, the Centre is a training school, show-room and warehouse. All in one.

For Renault, one of the world's largest car manufacturers, the future industrial environment does not have to be a sterile concrete landscape.

If one faces today's realities, it can be lively, colourful and stimulating.

RENAULT
WE'RE HERE

Hong Kong aims to sell and survive in quality markets

BY LARRY KLINGER, RECENTLY IN HONG KONG

FRANK LIN has gone up-market and is winning the rest of Hong Kong would like to do the same. His declaration that "quality is now the name of the game" is now repeated almost constantly throughout the territory.

Lin, 42, is diminutive and greying but bursting with energy. He started his family garment business in 1958 with a tiny factory producing cheap roll-neck sweaters and cardigans. Output in the early years averaged 3,000 pieces a month.

Today, his Milo's group, located in a modern 12-storey premises in the outlying Kwai Chung area, embraces not only the original knitwear business which now produces medium-to-high-range products, but also cotton garment and dye factories, one subsidiary to deal

with exports and another with mainland China, a yarn export-import company to supply other knitters, and a property company. Current output is 8,000 pieces per day.

Lin's success is due to his ability to satisfy increasingly sophisticated customers while coping with rising protectionism abroad and rising costs at home.

Two actions in the past fortnight show the seriousness of the protectionist problem.

Hong Kong currently is in dispute with France over shipments of quartz watches, and is unhappy with a U.S. move to restrain textile imports from the territory as well as Taiwan, South Korea and Macao.

Because almost 85 per cent of all Hong Kong's manufacturing is for export, rising trade figures indicate however that

the territory is holding its own. Last year overseas sales reached a record HK\$104bn (£9.3bn) up 25.7 per cent on the previous year.

While the strength of the U.S. economic recovery and the weakness of the Hong Kong dollar were obviously a help, officials and business leaders believe that, without the territory's continuing ability to improve the quality of its goods, growth would have been less than spectacular.

While traditional products like clothing and textiles still command more than a third of sales, their added-value continues to improve, they point out, and the territory is now moving increasingly into areas such as machinery manufacturing and high-tech electronics.

While unable to compete

directly on cost with the mass-produced "cheap" products in, say, South Korea or Taiwan, Hong Kong's clothing exports for the first three quarters of 1983 reached HK\$27.4bn, 17 per cent up on the period in the previous year. An even bigger increase is expected when detailed full-year figures are available.

Francis Tien, a leading manufacturer, recalls that it was predicted 10 years ago that his industry would be overtaken by South Korea and Taiwan. "We have never stopped moving forward quicker than any of them," he said. "We're progressive. We are in the world's top class."

The plastics industry, especially toys and dolls, has bright prospects. Hong Kong's superiority in technology and design and its ability to meet

quickly changing demand should continue to boost exports, according to a report by the Banque Nationale de Paris. Future growth would depend on a continued ability to further upgrade product quality, the report said.

To continue to expand up-market — to find, as a Hong Kong Trade Development Council put it, "our niche in quality terms where we can continue to sell and survive" — new investment and re-investment is needed. Until the arrangements about the territory's future after the British lease expires in 1997 are clear, there is a question mark over investment funds.

Private economists are worried at the lack of re-investment, but it is thought that continuing export growth,

especially in electronics and textiles, is offsetting political jitters. Increased industrial investment must be forthcoming if the territory can continue to respond to the expected world economic upturn.

David Yung, managing director of Elcap Electronics, is one who is planning to invest in the future. His progress is also a Hong Kong success story. Starting in 1963 in a suburb, his company produced fairly simple electronic components, mainly hi-fi loudspeakers destined for the UK. Capitalisation was HK\$450,000.

Elcap now has a five-storey ultra-modern factory in the new Tai Po industrial estate in the New Territories, where it produces custom-designed wafers for the international computer community. In 20

years, turnover has been increased 20-fold. Elcap is now capitalised at HK\$16m.

Yung's strategy is to serve what he expects will be a big expansion in locally-produced computers, in addition to exporting custom-design products that the international majors are not interested in producing.

He believes he will not immediately have a local competitor: "An operation like mine is not easy to set up. Because of its complexity, it needs nurturing, maybe three or four years."

Yung has secured a similar estate site next door, where he plans to expand. Given the current political uncertainty, will he go ahead? "Yes, certainly," he pauses. "At least I hope so."

Exports to U.S. up by 40% last year

By Our Hong Kong Correspondent

HONG KONG'S domestic exports to the U.S. leaped 40 per cent in 1983, consolidating the U.S. position as the territory's largest overseas market, and supporting a 26 per cent rise in Hong Kong's total domestic exports.

Hong Kong's total trade for 1983 was valued at HK\$336bn (£30bn) according to Government figures published yesterday — a rise of 24 per cent over 1982.

Domestic exports rose 26 per cent to \$104bn. Imports rose 23 per cent to HK\$176bn. Re-exports rose 27 per cent to HK\$56bn.

The trade figures confirm perceptions of 1983 as an outstanding year for Hong Kong's exports, following a recessionary 1982.

When Sir John Brembridge, Hong Kong's Financial Secretary, delivers his budget speech on February 29, he is expected to announce that Hong Kong met or surpassed the official forecast of a minimum 5.5 per cent real growth in its gross domestic product during 1983.

The U.S. took domestic exports worth HK\$43.8bn from Hong Kong in 1983. But the fastest-growing domestic export market for the year was China.

France making 'big effort' to liberalise import controls on some goods

BY ROBERT COTTRELL IN HONG KONG

FRANCE is making a "big effort" to liberalise the import controls which it imposes on some categories of Hong Kong goods, a French consular official said in Hong Kong yesterday.

Hong Kong watchmakers have been angered this week by a tightening of existing French quotas on imports of Hong Kong-made quartz watches.

France is counter-arguing that watches are only one of several categories of Hong

Kong goods which have been subjected to quota restrictions, and that most of those quotas have recently been abolished or eased.

Last July, the General Agreement on Trade and Tariffs council supported an arbitrator's report that France should relax restrictions on seven categories of Hong Kong imports—quartz watches; umbrellas, radios, microscopes, boats, toys and some types of textiles.

France has limited direct imports of Hong Kong quartz watches since October 1981. On Monday, the European Commission decided to permit France to clamp down on Hong Kong quartz watches entering France from other EEC countries.

France estimates that 1.2m of the watches have flooded into the country already this year from other EEC countries, but many officials here regard

the figure as "improbably large."

The effect of the decision is that both direct and indirect imports of Hong Kong quartz watches into France will now be grouped together under a ceiling for 1984 of 3.4m pieces. French customs officers can enforce the ruling by examining a certificate of origin required to accompany each quartz watch shipment.

In volume terms, Hong Kong is the world's largest watch

exporter, while France was its 14th largest market in 1983. Taking in watches and clocks worth HK\$147m (£13.2m) in January-November, 5 per cent up on the comparable prior-year period.

Before quota restrictions in the year to October, 1981, France bought HK\$215m-worth of Hong Kong-made quartz watches. In the year to October, 1982, that figure fell to HK\$118m. The current French quota of 4.4m pieces from Hong

Kong is the same as that imposed in 1983.

The Hong Kong Watch Manufacturers' Association set up a special committee in 1983 to fight the French quotas. One of the early strategies was to encourage a boycott of French brandy in the territory. The campaign was later modified under the slogan "Be a proper drinker," aimed at persuading drinkers to savour small measures of brandy, rather than drink it by the tumbler.

The anti-cognac campaign appears, however, to have had little effect: French brandy sales to the territory in 1983 equalled their 1982 level, according to the French Consulate.

France's overall level of textile and garment trade with Hong Kong is subject to bilateral agreements made within the Multi-fibre Arrangement. Quotas on umbrellas, radios and some toys have been increased.

South African coal finds way to Sweden

BY GERARD MCLÖSKET

SWEDEN is importing substantial volumes of South African coal although trade with the country is officially banned. Some of this coal is arriving in Sweden in vessels from Poland which has no formal trade links with South Africa and which considers Sweden as a prime market for its own coal.

According to the Swedish statistical bureau 2,097 tonnes of South African coal were imported in the first 10 months of 1983 out of a total of 2,183,377 tonnes in coal imports.

But inquiries in Poland, Sweden, the Netherlands and London indicate that the major Swedish cement and construction company, Cementa AB, imported two shipments of 3,282 tonnes and 3,520 tonnes of South African coal which arrived in Malmö at the end of March and the beginning of April last year.

The supplier of the coal, Shell Coal International, said that these were two of seven shipments it supplied to Sweden last year totalling 17,000 tonnes.

Two of the Shell shipments arrived in Polish ships. In Warsaw, an official of the Foreign Trade Ministry said that Poland neither had a foreign trade relationship with South Africa nor was any such link planned.

The shipping company Zegluga Polska Spolka Akcyjna of Szczecin, which owns one of the vessels involved, the Starachowice, expressed surprise about the shipment. "We do not break any Polish laws," said the official.

Poland has long considered Sweden its top steam coal market. Cementa AB said that its coal imports, totalling

200,000 tonnes a year are imported from Poland. The company expressed surprise that the Starachowice had sailed from Amsterdam, as shipments normally come from Poland.

The buyer of the coal on Cementa's behalf, a Malmö-based company, called AB Supply, admitted however that it bought the coal, knowing it to be South African, on the Dutch spot market because there was a severe shortage of Polish coal following the introduction of martial law in Poland.

Martial law was introduced in December 1981 and the initial disruptions to coal supply were thought to be over by spring last year, however. In 1983 Poland produced an impressive 192m tonnes of coal, having slipped below 170m tonnes in 1982.

AB Supply claimed that Cementa officials knew the coal was South African. It said that despite the boycott, the Swedish Government has tended to look the other way, because of the large sale of Swedish goods in South Africa.

But the Swedish Foreign Ministry confirmed that the boycott was far stronger than a "gentleman's agreement."

Shell points out that the shipments are not illegal, as the boycott is not yet legally enforceable. Shell says no exceptional regulations apply to Sweden.

Even a certificate of origin is not supplied unless specifically requested by the client. It says its shipping documents clearly show the cargo as South African coal and are accompanied by an analysis certificate.

Spot the thief.



Talks on Brazil steel export curb next week

By Andrew Whitley in Rio de Janeiro

HIGH-LEVEL talks on curbing Brazilian steel exports to the U.S. are to begin in Washington next week, following an announcement by the State Department that the U.S. has agreed to negotiate a voluntary reduction pact with Brazil.

The negotiations are expected to cover flat steel products, which last year represented two-thirds of the estimated \$40bn (£22bn) worth of steel which Brazil sold to the U.S., its largest customer. The proposed curb will be limited to 1984 exports.

Brazil is anxious to reach a voluntary agreement rapidly, as the U.S. International Trade Commission is due to reach a final decision next month on preliminary findings that most Brazilian steel products are heavily subsidised. Import duties of up to 100 per cent are already in force.

Press reports yesterday said that Brazil was prepared to reduce its total tonnage sold to the U.S. from last year's 900,000 tonnes to nearer 400,000.

St. João Camillo Penna, Industry and Commerce Minister, welcomed the U.S. acceptance of Brazil's proposal to set quotas on its steel exports—in return for the dropping of anti-dumping suits and those surtaxes already applied—as "an important step towards the solution of the problem."

Giving a new twist to the usual Brazilian arguments towards unhappy foreign competitors concerned about its growth in steel exports, the Brazilian minister said its steel shipments to the U.S. should be considered as an intermediate product whose low costs helped to improve the productivity of U.S. industry.

Taiwan £13.6m boiler order goes to Dutch

By Walter Ellis in Amsterdam

TAIWAN HAS placed an order for two boilers, worth £13.6m (£13.6m) with the Dutch shipyard, De Schelde. The boilers will be used in an electricity generating station now under construction.

At the same time, Peking has let it be known that it would like KLM, the Dutch national airline, to begin scheduled flights between the Netherlands and China. Its one condition is that KLM abandons its existing service between Amsterdam and Taipei.

In December, the Government in The Hague refused to permit the Wilton-Fijenoord shipyard to accept a follow-up order from Taiwan for two submarines. Later, the Government announced that it had banned all arms exports to Taiwan.

As a result of these decisions, Peking agreed to restore full diplomatic relations with the Netherlands, broken off in 1981 following an earlier submarines order.

Taipei was angered by what happened and called off several trade missions which had been sent to come to the Netherlands this year. Nevertheless, as the latest boilers order shows, Taiwan is anxious not to ban trade with the Dutch, who, via KLM, currently provide their only scheduled air link with Europe.

Peking has meanwhile informed The Hague that Dutch companies may win contracts in a number of areas, including agriculture, horticulture, land reclamation and dredging, telecommunications and the improving of harbours and industry.

The short answer is, you can't. Any of these ladies or gentlemen could be about to commit fraud. Quite possibly, with one of your credit cards. It's a problem we at Hoechst know all too well. After all, we're one of the leading suppliers of film to Britain's plastic card manufacturers. Credit cards are more convenient and flexible than cash. Hardly surprising, then, that credit card holders are rapidly on the increase. So too, unfortunately, is fraud. And every year it costs the country millions of pounds. Is there anything we can do about it?

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AMERICAN NEWS

Peru improves terms for 1984 debt rescheduling needs

By Peter Montagnon, Euromarkets Correspondent

PERU HAS become the third Latin American country after Mexico and Brazil to negotiate better terms from its bankers for financing its 1984 debt needs.

As part of a package totalling nearly \$2.6bn (£1.9bn), it aims to reschedule about \$1.5bn in medium term debts falling due this year and next. The debts will be repaid after nine years and the proposed rescheduling carries a margin of 13 per cent over eurodollar rates or 13 per cent over U.S. prime.

These rates are a full half per cent lower than those applied to last year's rescheduling which also matures after only eight years.

The package, now being sent to all the country's 300 creditor banks for their approval, also includes the extension of about \$580m in short term debt until November next year as well as the disbursement of the remaining \$200m of the new money loan arranged for Peru by the banks last year.

Disbursement of this money had been blocked because of Peru's failure to meet the targets set out in its International Monetary Fund programme.

However, following the signing of a new letter of intent to the Fund last week, the Advisory Committee of creditor banks, chaired by Citibank, has recommended that \$100m be made available as soon as possible.

The new programme will provide SDR 250m in IMF financing for Peru, but it is not seeking any additional loans from its banks this year. Sr Carlos Rodriguez-Pastor, Finance Minister, said this reflects Peru's success in cutting its balance of payments deficit by nearly half last year. The current account shortfall fell to \$882m from \$1.6bn.

Mr William Rhodes, Senior Vice-President of Citibank, said "This agreement is an important step in assisting Peru overcome its short-term difficulties and we expect the new financing plan to be well received by the international banking community."

The easier terms on the rescheduling also include the reduction of the grace period before repayments begin from three years to five.

Dockworkers split over U.S. wage proposals

By Terry Dodsworth in New York

A NEW three-year wage deal for U.S. east coast ports met a mixed response from dockworkers yesterday as all-out strikes were called in Boston, Baltimore and Philadelphia.

The walkout in three ports came in sharp contrast to the acceptance of the contract in New York, the country's largest port, and in other smaller ports, including Jacksonville, Florida.

Talks were still continuing yesterday to try to resolve outstanding issues at both New Orleans and Pensacola, Florida.

The difference between the ports arises from a number of local disputes which have blown up over issues not dealt with by the master contract.

Under the global package, which had been tentatively agreed for some time, 50,000 dockworkers in 36 Atlantic and Gulf Coast ports are to receive increases of \$1 an hour to take their hourly rate this year to \$15, with an additional \$1 an hour in the second and third years of the contract.

Local fringe benefits, however, were left out of this agreement. New York, for example, which is by far the most expensive port in which to operate, wanted to trim increases in various additional benefits, including its annual increase guarantee for workers displaced by containerisation and automation.

Longshoremen in New York, which concentrates heavily on container traffic, have agreed to this deal to make the port more competitive.

But in both Boston and Philadelphia, local talks have broken down on the issue of the guaranteed annual income.

In Baltimore, the crunch has come over ending a ban on working in the rain.

But Mr Thomas Gleason, president of the International Longshoremen's Association, said yesterday that these local issues could be swiftly resolved.

The face of Canadian politics may be about to change, reports Nicholas Hirst in Toronto

Crusader Trudeau considers his future

CANADIAN politics are again dominated by speculation over the future of Mr Pierre Trudeau, the Prime Minister. Hardly a day goes by now without rumours of his intentions either to resign or to stay on as the longest-serving Western leader.

At 64, Mr Trudeau still wears a rose in his buttonhole and remains unpredictable. First elected as Prime Minister in 1968, he was in power when Mr Harold Wilson was at Number 10 and President Lyndon Johnson in the White House.

He has already retired once, after the former leader of the Progressive Conservative Party, Mr Joe Clark, won the 1979 election and ruled as a minority government, only to return to lead the Liberals to victory following the defeat of the Clark Government six months later.

Mr Trudeau has said he does not intend to fight again, but the election to the House of Commons last summer of the Conservative leader, Mr Brian Mulroney, a 44-year-old businessman who had never before held public office, has apparently reinvigorated him.

He is once again enjoying himself in the cut and thrust of parliamentary debate and has been giving some of his best performances. Before Christmas he launched on a crusade for peace around the world, appealing for a new climate of "political energy" to lessen tensions between the superpowers.

His aims were modest. He wanted to change the "trend line" away from confrontation between the superpowers and back to dialogue. After meeting President Ronald Reagan

in Washington, Mr Trudeau claimed he had done that. Mr Reagan has since made peaceful overtures, dismissed by the Russians, but the meetings at the Stockholm disarmament conference have led to an agreement at least to restart talks on troop reductions in Europe.

The peace initiative is being portrayed inside Canada as a sign that Mr Trudeau will resign. In a private dinner with broadcasting executives, Senator Michael Pitfield, until last year the effective head of the civil service and a long-time Trudeau confidant, said: "Only a man who was leaving would have undertaken this mission," indicating that the risk of failure was otherwise too high.

The initiative has had little impact on the fortunes of the Liberal Party. Opinion polls show Canadians liked the idea, but still do not approve of Mr Trudeau. The party's standing showed a minor improvement in the last Gallup poll gaining 30 per cent support, but still languishes far behind Mr Mulroney's Tories with 53 per cent.

Mr Trudeau's advisers at one time were presenting him with two reasons to stay: that despite his present unpopularity he was the best leader the Liberals had, and that if the Liberals were to lose the next election, it would be better to give a new leader a clear run for the next time.

That kind of advice is heard less and less. The growing feeling within the parliamentary party is that Mr Trudeau has to resign to prevent an electoral rout which could leave the Liberals with few seats out-

side its stronghold of Quebec, where it now holds all but one of the 75 seats.

Even in Quebec, the Liberals are under threat. Mr Mulroney is a native Quebecer and speaks fluent French. The Conservatives are hopeful of taking some seats and the provincial separatist Parti Quebecois has formed a new party to fight the next federal election.

Time to make a decision is running out. An election must be held by early 1985, but Canadian governments rarely hang on until the last minute. The Pope is due to make a ten-day visit in mid-September, and the betting is that the election will follow that.

If Mr Trudeau resigns, the Liberals will have to hold a leadership convention, and the longer the Prime Minister leaves it, the less time there is both for a leadership campaign, and for the new leader to work himself into the job.

This year's Budget date has already been brought forward to February 15 from the usual April, freeing the political timetable for a possible convention in the spring. If there is to be a new Liberal leader, Mr John Turner, the former Finance Minister who has been out of parliamentary politics since 1975, still seems the most likely candidate.

He speaks French, important for the Quebec vote, and has strong links to Western Canada, the Liberals' weakest area. Mr Turner has long been described as Prime Minister in waiting rather than Liberal leader in waiting. The doubt has been whether he was prepared to lead the Liberals into defeat



Trudeau . . . in league with Reagan on peace.

and spend a period in opposition. It now seems that he is. Some observers believe, however, that the attention a leadership campaign would bring could revive the Liberals' fortunes and make victory more likely. But at the moment this looks a long shot and time is running out.

Mr Trudeau has returned from presenting his peace proposals to East European leaders and said that he would now consider both the future of the initiative and his own future. He stressed that one would not necessarily be dependent on the other, but they are clearly linked.

In Parliament yesterday, he indicated there were still steps to be taken to further the peace initiative. "My own personal contribution, though necessarily less intensive than in recent months, will definitely continue," he said.

Mr Trudeau said he still wanted to go to Moscow to present his proposals to the Soviet leader Mr Yuri Andropov. However, most political commentators in Canada still expect him to resign soon, may feel that his initiative has run its course.

If he does announce his resignation, he will stay on as Prime Minister until a new Liberal leader is chosen, which would leave him free to go with his peace crusade for some months. When he presented his peace proposals at the UN to Mr Javier Peres de Cuellar, its Secretary General, there were hints that there could be a job for Mr Trudeau as an international emissary for peace at the UN.

Any suggestion that Mr Peres de Cuellar had offered such a position was denied by officials but the idea that Mr Trudeau could be looking for a new job, particularly one which would carry on the last initiative of his long political career, only adds to the suggestion that soon Mr Trudeau will retire from Canadian politics.

Mexico consumer price index up

By William Chislett in Mexico City

MEXICO'S consumer price index rose 6.4 per cent in January, raising doubts about whether the Government will be able to reduce the rate of inflation this year to its target of 40 per cent after 80.8 per cent last year.

The main factors behind the January rise were the new higher minimum wage and increased electricity prices.

Senior government economists insist, however, that the target of 40 per cent is still feasible.

Controlling inflation remains the Government's priority this year. Officials are aware that if inflation rises higher than 45 per cent this year then the peso will have to be depreciated at a quicker rate than at present.

Ecuador call for better debt terms

By Hugh O'Shaughnessy

LATIN AMERICA'S call for a reduction of the servicing costs of its \$810bn (£221bn) foreign debt will be the subject of talks later this month between Mrs Margaret Thatcher, the British Prime Minister and Sir Geoffrey Howe, the Foreign and Commonwealth Secretary, and Dr Luis Valencia Rodriguez, the Ecuadorian Foreign Minister.

Dr Valencia will be seeking to impress on Western governments the strength of Latin America's intention, formulated at the regional economic summit which took place in Quito, the Ecuadorian capital last month, of limiting debt service payments to terms which would not jeopardise the region's growth prospects.

President Osvaldo Hurtado of Ecuador was a leading organiser of the Quito summit

Local fringe benefits, however, were left out of this agreement. New York, for example, which is by far the most expensive port in which to operate, wanted to trim increases in various additional benefits, including its annual increase guarantee for workers displaced by containerisation and automation.

Longshoremen in New York, which concentrates heavily on container traffic, have agreed to this deal to make the port more competitive.

But in both Boston and Philadelphia, local talks have broken down on the issue of the guaranteed annual income.

In Baltimore, the crunch has come over ending a ban on working in the rain.

But Mr Thomas Gleason, president of the International Longshoremen's Association, said yesterday that these local issues could be swiftly resolved.

Haitian army put on alert for weekend elections

By Robert Graham

THE HAITIAN army has been put on the alert after reports that exiles based in the neighbouring Dominican Republic may seek to disrupt Sunday's parliamentary elections. At the same time, the Haitian authorities are understood to have requested aid from the Dominican Republic's armed forces to police the frontiers.

Sunday's elections are to choose 59 deputies to the Haitian parliament, which was dissolved by President Jean-

Claude Duvalier last August. Opponents to the 33-year-old President for life claim the security measures are designed to intimidate. However, the regime is reported to fear an invasion by Haitian exiles from the Dominican Republic where a number of the Haitian opposition are based.

The new parliament will have limited powers. Nevertheless, if rumours of the young President's ill-health are confirmed, it could play a part in naming a successor.

Nicaragua poll plans under way

By Tim Coone in Managua

THE first public discussions on Nicaragua's electoral law took place on Wednesday when the ruling National Sandinista Liberation Front presented proposals for general elections to the Council of State, the country's legislative body.

An electoral commission has been drafting the plans since last October, in consultation with all the political currents in the country apart from the U.S.-backed right-wing guerrillas.

The draft law proposes the election of a President, a Vice-President, and a 90-member

national assembly, the former elected by simple majority and the latter elected by a regional proportional representation system.

The system of voting for the national assembly will give the smaller parties to both the right and left of the ruling Sandinista party good opportunities to pick up seats in regions where they have strong local support.

Criticisms have come from both the conservatives and communists in the Council of State who object to having the President and Vice-President elected at the same time as the national assembly. The form of the executive power, they say, should be determined only by the national assembly.

Discussion and voting on the law is expected to be complete by February 21, when the election date is to be announced. The speculative election date is February 1985.

Reuter adds from Washington: Leaders of the two main right-wing guerrilla groups fighting the Nicaraguan Government apparently held a secret meeting in Miami on Wednesday to discuss the war.

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TECHNOLOGY

EDITED BY ALAN CANE

PIPELINE LEAKS COULD BE REDUCED

Valve saves mains water

BY ANNE CHARNOCK

WATER AUTHORITIES could make substantial cash savings with a new type of pressure reducing valve claimed to cut water leakage from arterial water mains by as much as a half.

The design aim of the new valve is to prevent high pressures building up at times of low demand—at night, for example—because these excessive pressures force water out of cracks in underground mains and may even cause major bursts.

This latest development in what are called variable pressure reducing valves (PRV) reverses recent design trends by abandoning electrical methods of operation and opting for a purely mechanical solution.

It is therefore less sophisticated, cheaper and easier to maintain. In addition, electrically operated systems—such as the microprocessor controlled valve developed by Wessex Water Authority—lack inherent fail-safes as they depend on external power supplies.

Around 20 per cent mains water is lost through cracks and bad joints in pipes. According to one water authority scientist "Pumping operations cost millions of pounds a year so only a small reduction in leakage will save hundreds of thousands."

Early in 1983, the Welsh Water Authority put the idea of a mechanical, variable valve to two UK manufacturers—J. Blakeborough and Sons of Brighouse, West Yorkshire, and Glenfield and Kennedy of Kilmarnock. Both firms have

now submitted valves for independent trials but they say confidence is so high that orders are being placed on the basis of manufacturers' tests. Pay-back for the new variable PRVs could be as little as three months when installed in hilly areas where pumping costs are particularly high.

Most water authorities at present use traditional valves which produce a constant pressure at the valve outlet—the set pressure being just sufficient so that at peak day-time demand, water will reach the end of the network. But with nightfall, flows decrease and pipe water pressures become extremely high at the bottom end of the network. In fact, the diurnal pressure difference can reach 30m of head.

In the new variable PRVs, outlet pressures are altered according to the amount of water consumed along the branch main. An orifice plate is positioned upstream of the valve. As water flows through a small hole in the plate, a pressure difference is created on either side of the orifice which is proportional to the flow rate. This pressure difference is transmitted to either side of a special diaphragm and its movement, in response to the pressure difference, operates a pressure reducing pilot valve. This in turn controls the main valve as demand diminishes and the flow rate decreases at night, the valve closes in order to reduce pressure downstream.

A clever addition to Blakeborough's "Variable" according to the firm's chief valves

engineer, Ronnie Grandage, is a patented control unit which "fine-tunes" the valve to suit individual water mains. For example, in a pipe with high frictional losses because of serious internal scaling, higher pressures are needed to maintain a given flow than in a low-friction polyethylene pipe. The control system operates by transmitting a proportion of the pressure difference at the orifice to the diaphragm unit.

Grandage reckons their new valve will cut night-time leakage by 80 per cent. But he concedes that the concept of a mechanical variable PRV has been around for some time. Glenfield and Kennedy's brochures, says its managing director Denis Richmond, offered combined pressure and flow control valves in the 1930s and again in the 1960s. But it seems the potential impact on leakage was not understood by industry.

Blakeborough's valve is due to undergo field trials in the West Wales division of WWA. Divisional mechanical and electrical engineer Tony Johnson, initiator of the authority's design suggestion says, "There's a lot of interest in these valves and competition is strong. It's now a free for all."

Severn Trent Water Authority has been working on a similar idea since late 1982, based on an Israeli-manufactured valve. According to Andrew Ashcroft, a technical services officer at STWA working on valve prototypes, "Waste has become a hot topic in the water industry and these cheap, variable PRVs could be the best solution."

MOTORS

Fuel saving valve from Alfa Romeo

THE FIRST production car in Europe incorporating variable inlet valve timing is being launched today by Alfa Romeo.

The system is intended to overcome the compromise which has been needed in any petrol car engine between high power at, or near to, maximum engine speed, and the need for easy starting and low speed torque.

The former requires a high degree of overlap between inlet and exhaust valve operation; the latter ideally needs little or no overlap.

Alfa Romeo has got round the problem by fitting to the inlet valve camshaft of its twin overhead camshaft, two-litre engine, a hydraulic piston/helical gear arrangement. The mechanism allows a 15 degree variation in timing between the engine being started and used in start/low-speed modes and at higher speed operation.

"Normal" setting is without the overlap. But in the high speed mode, the hydraulic piston, operated by engine oil pressure, slides in a spline sleeve housed at the centre of the inlet camshaft driver sprocket. As the piston slides along the spline, it also runs along a helical gear, causing the camshaft to rotate relative to the sprocket.

The precise point at which the mechanism is triggered is controlled by a Motronic electronic fuel/engine management computer.

The computer itself monitors factors such as throttle angle, air mass flow and temperature in deciding when to trigger the mechanism, which is controlled by a solenoid valve.

Alfa Romeo, which is introducing the system first on a "Gold Cloverleaf" version of its Alfetta saloon, claims fuel economy improvements of between 4 per cent and 28 per cent, depending on usage. Power and torque outputs are similar to the conventional engine.

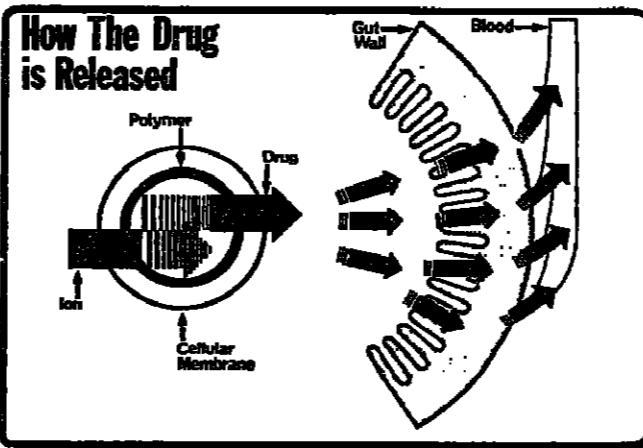
The system is expected to be extended to other twin overhead camshaft engines in the Alfa range.

Several other manufacturers are developing similar concepts, and are likely to follow Alfa Romeo into production. JOHN GRIFFITHS

PHARMACEUTICALS

Beads control drug delivery

BY DAVID FISHLOCK, SCIENCE EDITOR



MR ISAAC MCGRAW, an American farmer who is also corporate vice-president of Pennwalt Health Group, a U.S. pharmaceutical business, is putting his money on a new drug delivery system his scientists have invented and patented.

In Europe this week he has been trying to persuade half-a-dozen drug companies to licence his technology.

His Penkinetic system of controlled drug release combines two different mechanisms in releasing a drug into the bloodstream. One, already well established within his company, is the idea of locking a drug to an ion-exchange matrix, in the form of microscopic beads of the resin.

The second mechanism, under development since the late 1970s in Penwalt's research laboratories in Rochester, New York, is to wrap the beads of resin and drug in a semi-permeable membrane of cellulose. This membrane can be deposited to give a very closely controlled release of the drug.

Drugs packaged in this way can be taken by mouth, either as capsules or as a liquid suspension. Nothing happens until it reaches the stomach and gastro-intestinal tract. So the nastiest taste is safely locked up until it is well beyond the taste buds.

The cellulose membrane is tailored to respond to the very constant concentrations of sodium and potassium ions found in the gut.

Thus it can be arranged to release a drug steadily over a 12-hour period, maintaining a uniform concentration of drug

in the bloodstream. The sketch shows how cellulose coating displace molecules of drug, which have been locked up inside as a resin.

The vehicle itself is unaffected by the gut reactions and causes no side-effects. Mr McGraw says. For the past year it has been used to carry a drug called dextromethorphan, used in over-the-counter cough medicines.

For Penwalt, approval of the Food and Drug Administration of his Penkinetic system late in 1983 has already added \$10m in royalties to his sales. He has just got FDA approval for a second, a combination of decongestant and anti-histamine for treating allergies.

Mr McGraw believes that the Penkinetic drug delivery system must be a major factor in corporate plans to double the sales of the health division (\$217m last year) over the next three to four years. He is inviting European drug companies to place research contracts with Penwalt to devise an appropriate package and secure FDA clearance.

Although he has no development in-house for another drug company at present, he hopes to win FDA approval for five Penwalt preparations using the Penkinetic system this year, and a further three in 1985.

Mr McGraw claims his scientists have uncovered only two drawbacks to this drug delivery system. One is that the basic drug must carry an electrical charge. Most synthetic drugs do, but natural drugs do not. The other is dosage.

Terminals

Impact printer

IBM has launched its fastest impact line printer yet, the 4248. It can print either 3,600, 3,000 or 2,200 lines a minute according to requirements.

At the slowest speed it can print characters which can be recognised by optical reading devices.

According to IBM, the printer uses 46 per cent less power and produces 26 per cent less heat than its predecessor, the 3211 which is a 2,000 line a minute device. The 4248 will however, run all 3211 programs. It costs \$54,640 or £61,475 according to model.

IBM has also released new programs for its 3880/3 laser printer making it possible to merge graphics, text and print on the same page.

Materials

Polyester expands

THE USE of polyester film is expected to more than double between 1982 and 1995 because of its expanded application in frozen food packaging and return pouches. Cellulose, however, of which 121m lbs was used in packaging in the U.S. in 1982 will be rejected in favour of newer materials created by the use of new technology.

These are two of the principal conclusions of a study from the U.S. based consultancy Predicasts which indicates substantial growth for the flexible packaging industry.

Films will capture an increasing share of the total market, it says pointing out that linear low density polyethylene, cheaper than conventional low density polyethylene, is expected to make special progress.

Papers, specifically glassine, greasyproof, oiled and waxed will continue to lose ground to plastic films. By 1996, according to Predicasts, demand for paper as flexible packaging will be only 1.5m lbs, slightly less than the demand two years ago.

The good news is FERRANTI Selling technology

Communication BT's digital link

THE VIDEOCONFERENCEING system between Canada and Britain announced by British Telecom International earlier this week claims to be the first such service using digital transmission techniques.

BT also intends to market low cost terminals which can be used in the office rather than forcing companies to send their employees to special studios. This will remove a major inconvenience of videoconferencing to date.

GEC-Jerrold, designed and made the system, developed by British Telecom in collaboration with six other European telecommunications authorities, which codes the pictures, text or image into a stream of digits. It also reduces the digital transmission capacity to 2m bits a second. This is equivalent to transmitting 30 telephone calls simultaneously. Without reducing—or compressing—the number of digits required the videoconferencing system would occupy the equivalent of 1,000 telephone calls.

This data compression is particularly important when using satellites since it occupies fewer channels with a resultant cost saving. The system is therefore a considerable improvement and can still produce reasonable quality colour images.

The terminals code and compress the picture and sound information before transmitting the resultant signal to the satellite earth station at Goomhilly Down. This beams the signal to Toronto via the Intelsat V satellite.

British Telecom International is planning to launch a similar system to the U.S. possibly later this year.

OPTICAL SYSTEMS

Plastics replace glass lens

ONE PREREQUISITE for bringing optical recording into wider use is to keep the costs of equipment production as low as possible—not an easy task when miniature optical systems are reading microscopic impressions on recording media.

For example, lenses about 5 mm in diameter and equally small diffraction gratings with very finely engraved lines are involved for handling and controlling the laser beam that reads the optical disc. These components are customarily

made in glass.

Now, however, a team at Combined Optical Industries has succeeded in making the components in acrylic plastics for the Philips Laserdisc system, with cost savings of between 50 and 85 per cent compared with glass. The accuracy of the lenses is claimed to be as good as that of the glass components they replace—the focal length for example is held to within 1 per cent.

One advantage is that the components can be produced with mounting features integrally moulded with the lens. Diffraction gratings are normally made by chemically etching the lines into the glass surface. Once again, in plastic the lines can be integrally moulded and do not suffer the defects sometimes resulting from etching.

The company's first grating is only 3 mm square, performs as well as the glass component and is 85 per cent cheaper to produce. More on 0753 75011.

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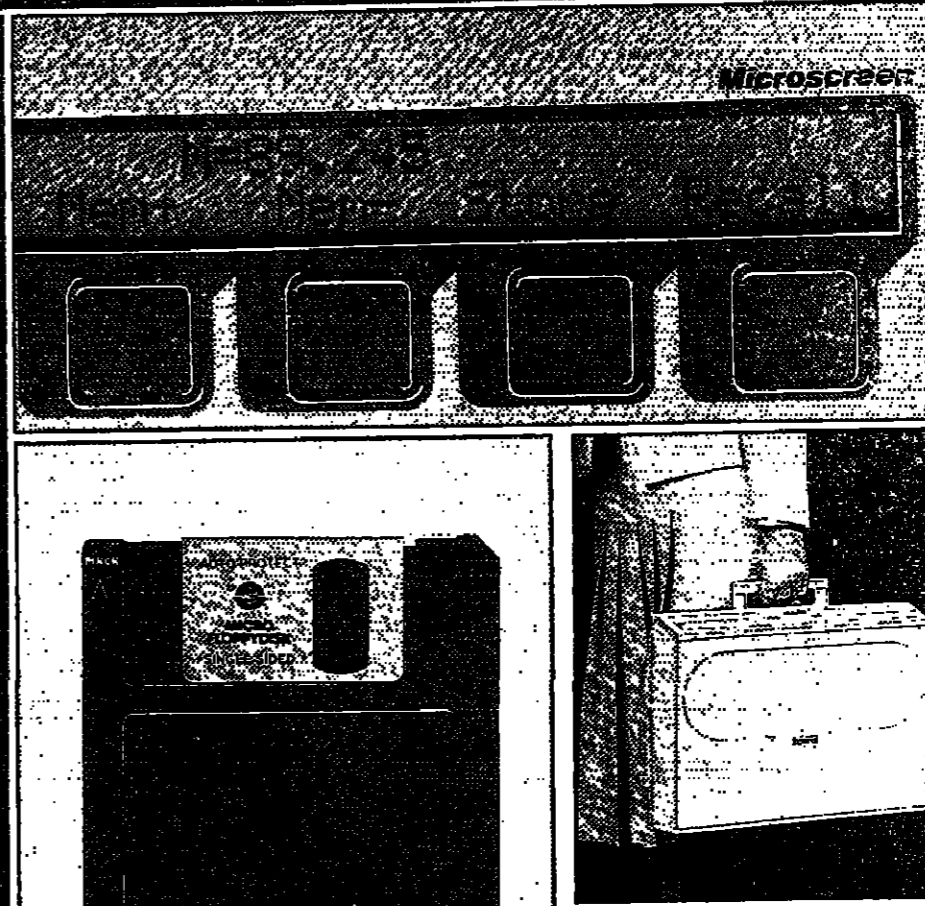
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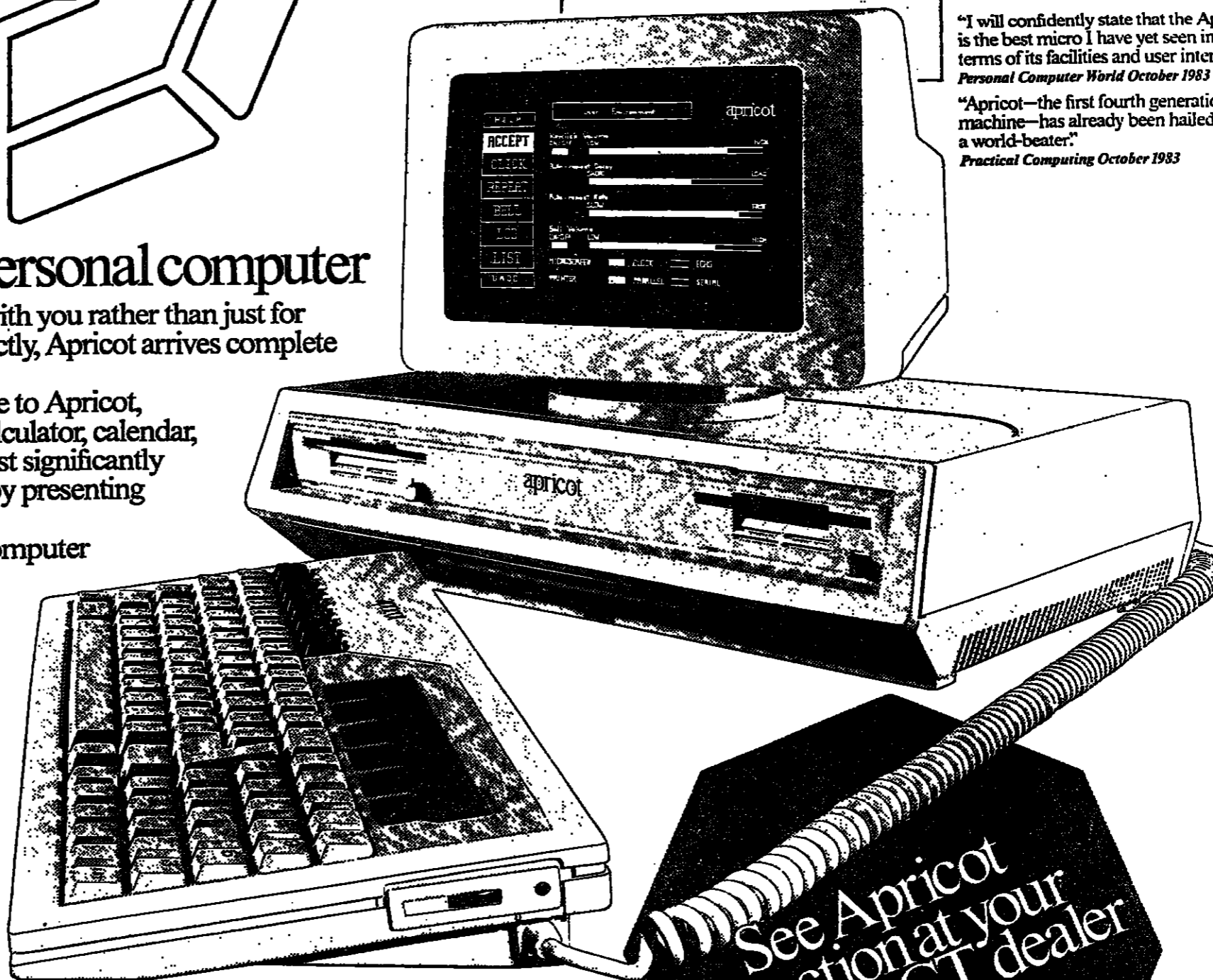
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UK NEWS

Tax law principle ended by Lords

Ruling strikes at legitimacy of artificial transactions to avoid liability

THE LEGITIMACY of artificial schemes to avoid tax payment was dealt a death blow yesterday by a judgment of the House of Lords, Clive Wolman writes.

Implicitly overturning a principle of UK tax law over the last half-century, Lord Bridge of Harwich said the courts could examine the commercial substance of a series of transactions and look beneath their legal form when ruling on tax cases.

The decision of the five Law Lords yesterday to overrule the Court of Appeal in favour of the Inland Revenue was formulated in wide-ranging terms and raises doubts about the efficacy of a wide range of uncontroversial transactions designed to reduce tax.

They include making payments to a student child by means of a covenant, the "bed-and-breakfasting" of shares over an account period to reduce a future capital gains

tax bill, or the transfer of assets between subsidiaries in a group to avoid capital gains tax.

Mr Eddie Ray, a tax partner at accountants Spicer and Pegler, said yesterday: "If I have a choice of two ways of doing something, do I now have to choose the way that means I pay more tax?"

The first big judicial move against tax avoidance schemes was made by the House of Lords three years ago. The judges decided then

that they could disregard a circular series of transactions designed to achieve nothing except a reduction in the perpetrator's tax liability. That ruling undermined many of off-the-peg avoidance schemes sold by the Rossminster Group.

But in the case decided yesterday, the taxpayer, Mr George Dawson, a clothing manufacturer, was aiming to achieve a change of commercial substance, namely the sale of his shares in a company. But to

defer his liability to capital gains tax, he sold them through an Isle of Man company.

Lord Brightman, who delivered the main judgment, described the transactions as "a simple and honest scheme which merely seeks to defer payment of tax." But he ruled that even if a pre-ordained series of transactions achieved a legitimate commercial end, the courts would disregard any steps in the series inserted purely to avoid tax.

Scott Lithgow shipyard 'still open to offers'

BY PETER RIDDELL, POLITICAL EDITOR

MRS MARGARET THATCHER, the Prime Minister, told the House of Commons yesterday that although conditional agreement had been reached for Trafalgar House, the UK property and shipping group, to take over the Scott Lithgow shipyard, it remained open for other companies to make offers.

The Prime Minister added, however, "Time is running out." She described privatisation of the Clyde shipyard, in south-west Scotland, as the only hope of saving jobs there.

The yard is part of the nationalised British Shipbuilders, which announced plans to close it after Britoil cancelled a £80m rig contract.



Graham Day, chairman of British Shipbuilders

Mrs Thatcher deplored union opposition to the proposed sale. Workers at the yard yesterday walked out in protest and union leaders said it was a "spontaneous gut reaction," which meant that privatisation would have to have union cooperation.

"There will be no deal based on compulsory redundancies and the massacre of jobs in this community," Mr Duncan McNeill, a local union official, said.

Trafalgar House said it could save 2,000 of the 4,000 jobs initially, but would eventually expect to employ a nucleus of about 1,200.

Mr Norman Lamont, Industry Minister, told the Commons that British Shipbuilders had been right to get on with quick negotiations in view of the seriousness of the position at Scott Lithgow. He told MPs that any agreement would require the approval of the Government and he assured questioners that all serious bids would be considered.

His and Mrs Thatcher's remarks reflected a desire in Whitehall not to rule out any options in the face of what some ministers - notably Mr George Younger, the Scottish Sec-

retary - regard as an attempt by Mr Graham Day, chairman of British Shipbuilders, and Trafalgar House to hurry them into a deal.

Officials expect that other groups, notably Bechtel, UK subsidiary of the U.S. engineering group, and the Anglo-French company Howard Doris, will make detailed offers next week.

It was emphasised by officials that the conditional deal with Trafalgar House still depended on agreement being reached with Britoil over the disputed rig contract, and that was far from settled.

Britoil said yesterday it was not satisfied with the proposals made by the three companies interested in taking over the yard.

● Fears for the future of the Cammell Laird shipyard on Merseyside rose yesterday when workers rejected terms for a 17-a-week productivity deal agreed by British Shipbuilders and national union officials.

Two other prominent yards have also rejected the deal - Vickers at Barrow-in-Furness, north-west England, and Yarrow on the Clyde. Editorial comment, Page 12

Crucial union talks for TV channel

BY OUR LABOUR STAFF

THE FUTURE of the troubled breakfast television company, TV-am, hangs on a crucial meeting this morning of the main technicians' union.

The Association of Cinematograph, Television and Allied Technicians (ACTT) is expected narrowly to endorse a compromise cost-cutting formula worked out last night between their officials and the company. But despite guarded optimism on both sides the situation was still regarded as serious.

TV-am management has withdrawn the demand for up to 80 redundancies from ACTT and the National Union of Journalists. Last night's discussions centred on getting £1.5m savings required

through changes in working practices.

About £3m has now been pledged from shareholders to help the company over the next few weeks. Although costs have already been brought down from £31m a year to £11m, senior management is adamant that further savings of more than £1m can be made.

Fleet Holdings, publishers of the Daily and Sunday Express, came to the rescue of TV-am in November last year with a £2m investment giving it 20 per cent of the equity. It was part of a £4.5m refinancing of the channel which, at the time, was said to secure the future of the company.

Guidelines on spending

THE TREASURY is to publish a consultative paper setting out the implications of projected public expenditure levels arising from existing policy commitments.

Mr Nigel Lawson, Chancellor of the Exchequer, told the House of Commons yesterday that approval had finally been given to his proposal that the Government should provide the information needed for a well-informed public debate on expenditure issues.

● THE GOVERNMENT'S majority fell to four in the House of Lords last night in the first vote during the committee stage of the Telecommunications Bill, which paves the way for the privatisation of British Telecom.

More than 150 amendments have been tabled, many by a group of Conservative and independent peers concerned about the effect of the Bill on British manufacturers of telecommunications equipment.

● LONDON BRICK said its assets had been valued at £300m, or 215p

per share, in contrast to the contested bid worth £212m, or 150p per share, from Hanson Trust, the industrial holding company.

The revaluation forms almost the last line of the defence the brick supplier has been building against the bid which must close at the end of this month. It cannot be increased after next Tuesday.

Lex, Page 14

● WORKERS at the Austin Rover trim shop at Cowley, Oxford, rejected a call from union officials to end a week-old strike over job transfers which has halted output of the Rover and Acclaim cars.

● MR MICHAEL POSNER, recently chairman of the Social Science Research Council, is to become next economic director of the National Economic Development Office.

● THE SOCIAL Democratic Party/Liberal alliance has pushed the Tories into third place in the run-up to the Chesterfield by-election in which Mr Tony Benn is fighting the seat for Labour.

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UK NEWS

Mineworkers seek backing of unions for coal import ban

BY OUR LABOUR STAFF

MINEWORKERS are to seek the support of transport unions in Britain in an attempt to enforce a total ban on coal imports which total 4m to 5m tonnes a year.

Any ban would be certain to breach employment legislation aimed at prohibiting secondary or supportive industrial action, and would run counter to the Trades Union Congress (TUC) policy that all action should be lawful.

National Union of Mineworkers (NUM) leaders said yesterday that they would be meeting other unions - the Transport and General Workers' and the rail and seamen's unions - all of which have already pledged support in principle to an imports ban.

The aim of a ban would be to put pressure on the National Coal Board (NCB) in its dispute with the NUM over a 5.2 per cent pay offer. Miners have been operating an overtime ban for 15 weeks in an effort to win a bigger offer.

Mr Arthur Scargill, NUM president, said yesterday that the ban was inflicting minimum damage on the union and maximum damage on the NCB. He described previous losses as "quite staggering" and claimed a total loss of some 7m tonnes.

The Energy Department has acknowledged that the NCB is heading for a loss of about £200m this financial year, and if the overtime ban continues, it says losses might approach £300m.



Scargill: Production losses 'staggering'

Coal stocks have remained high throughout the overtime ban, but mineworkers have lost a substantial part of their earnings, since routine maintenance and safety work at collieries is normally done as overtime working.

Much of Britain's coal output has been stockpiled because it cannot compete with the price of foreign coal. When Mr Ian MacGregor took over at the NCB last year he set himself the task of cutting the price of coal to industry. Cheaper British coal would cut the cost of electricity, since power stations are the NCB's biggest customers.

Coal imports are already restricted. The Central Electricity Generating Board has estimated that if it were able to import coal for its Thames Estuary power stations the price would undercut the NCB by between 10 and 20 per cent.

STC to supply cable TV equipment

By Raymond Snoddy

STC is to enter the equipment market for cable television to challenge companies such as Plessey Scientific Atlanta and GEC Jerrold.

STC Telecommunications yesterday announced the formation of a joint marketing company with Texscan of the U.S.

The company will initially sell Texscan cable television systems in the UK. Later, if the market warms up, the products will be manufactured under licence in the UK.

The aim is to try to sell Texscan equipment to the 11 companies chosen by the UK Government to develop interim cable franchises in Britain.

Mr John Cottrell, managing director of STC Telecommunications said yesterday: "This new enterprise gives us the entry we have been seeking into an important growth area of communications business, valued at £250m a year by 1991."

Texscan, which had net sales of more than \$54m last year, claims a 26 per cent share of the U.S. market in wideband distribution equipment.

STC is particularly interested in the Tracs system developed by Texscan. It is a microelectronic controller located outside the home which means that only "authorised" television signals are delivered to the screen.

Banks connect new system of payments

BY ALAN CAME AND DAVID LASCELLES

CHAPS, the London retail banks' electronic payments service inaugurated yesterday, came into its first day of operations with flying colours.

Although most of the foreign banks in London are refusing to take part in the system because of disagreements over a "common interface" to the Chaps network, and quibbles over the cut-off time, all the main settlement banks went live without problems.

Some £32m, the sum of over 1,000 individual payments, were cleared without a hitch through Chaps (clearing house automated payments system). All the clearing banks - which own and operate the service - had settled their accounts through the Bank of England by 3.10pm, 10 minutes after the agreed cut-off time.

"Miracle of miracles, it works," said a spokesman for one of the clearing banks. "Champs works as well as popping." Citibank, a participant bank, said it had made several transactions without error.

Mr Eric Simmonds, Chaps project leader, said: "It has been a pretty good first day. Every settlement bank has taken part in the system. The problem of the standard inter-

face to link non-settlement banks to the system, and the question of the cut-off time, are still with us, but the system has performed well today."

Many merchant and foreign banks are boycotting it on the advice of their trade associations - one described it as "genuinely unusable by us except at great cost." There are also objections to the 3pm cut-off time.

Chaps could be used by up to 300 banks, but only 40 have agreed to take part. Many of these are the clearing banks and their offshoots. But Bank of America, Hambros, Hong Kong and Shanghai, and Swiss Bank Corporation are among other leading banks which have decided to participate.

Chaps is also linked with Swift, the international communication network through which banks send payments instructions to each other.

U.S. 'barred from contracts'

BY HUGH O'SHAUGHNESSY

U.S. COMPANIES would be debarred getting contracts from the multi-billion dollar supplementary fund which the British Government is hoping to launch to assist the International Development Association (IDA), the soft loan arm of the World Bank.

Mr Timothy Raison, Overseas Development Minister, made this clear in evidence to the House of Commons Foreign Affairs Committee. He said Britain was continuing

its efforts to organise a supplementary fund of \$3bn to top up the funds of the IDA.

Last year the U.S. refused to agree to an increase of IDA funds by \$12bn and settled for an increase of \$9bn, although the higher figure had been accepted by a majority of donor countries.

Mr Raison said that Britain would continue to try to persuade the Reagan Administration to accept the \$12bn figure.

Notice of Redemption

Transocean Gulf Oil Company

8% Guaranteed Debentures Due 1986 (now Gulf Oil Corporation 8% Debentures Due 1986)

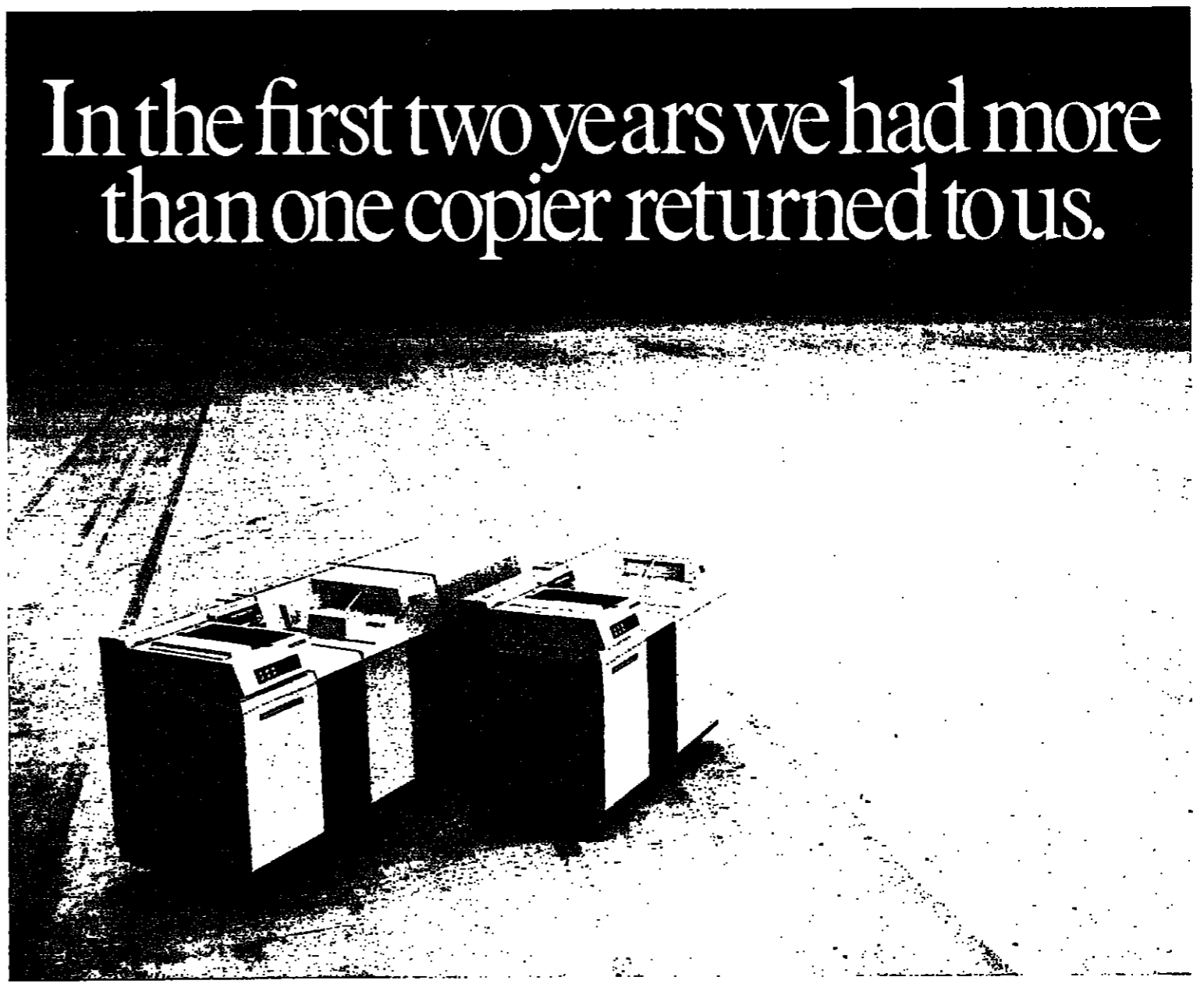
NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of March 1, 1971, under which the above designated Debentures are issued, \$1,493,000, aggregate principal amount of such Debentures of the following distinctive numbers has been selected for redemption on March 1, 1984 (herein sometimes referred to as the redemption date):

Table listing 1,493,000 Coupon Debentures with columns for distinctive numbers and amounts.

The Debentures specified above are to be redeemed for the Sinking Fund (s) at Citibank, N.A. (formerly First National City Bank), Trustee under the Indenture referred to above, No. 111 Wall Street, in the Borough of Manhattan, the City of New York, or (b) subject to any laws or regulations applicable thereto, at the main offices of Citibank, N.A. in Amsterdam, Brussels, Frankfurt/Main, London (Citibank House), Milan, Paris, and Citibank (Luxembourg) S.A., and Kredietbank S.A., Luxembourg in Luxembourg. Payments at the offices referred to in (b) above will be made by a United States dollar check drawn on a bank in New York City or by a transfer to a United States dollar account maintained by the payee with a bank in New York City, on March 1, 1984, the date on which they shall become due and payable, at the redemption price of 100 percent of the principal amount thereof, together with accrued interest to the date fixed for redemption. On and after the redemption date, interest on the said Debentures will cease to accrue. Upon presentation and surrender of such Debentures with all unmaturing coupons, payment of principal will be made out of funds to be deposited with the Trustee.

The amount of any missing unmaturing coupons will be deducted from the sum due for payment. Coupons due March 1, 1984 should be presented for payment in the usual manner.

Gulf Oil Corporation By: CITIBANK, N.A., as Trustee January 30, 1984



In the first two years we had more than one copier returned to us.

Of the hundreds of clients who decided to rent Kodak copiers, two sent theirs back. One was a competitor who just wanted to take a look at it. The other was a company who were happy with the machine but were relocated.

Given that Kodak copier contracts do not exactly nail you to the floor, this suggests that so far we haven't accumulated many dissatisfied customers.

Which is, of course, gratifying. But it also proves that a thoroughly reliable machine backed by thoroughly reliable service is hard to beat.

To illustrate the point, we make it our policy to install a service organization before installing a single Kodak 'Ektaprint' Copier-Duplicator. So the back-up service is running smoothly before you even switch on the machine.

But don't take our word for it. If you'd like to talk to some of our customers who have,

so far, seen no reason to send back their machines, we'll be happy to put you in touch. The way things are going, we're happy to work for low returns.



Contact Helen Smith, Name, Position in Company, Company/Address, Tel. No., Kodak Limited, Copy Products Sales, Victoria Rd, Rushing, Middlesex HA1 6QJ. Telephone: 01-422 3443. KODAK COPIERS. Kodak and Ektaprint are trade marks.

POLITICS TODAY

A comedy of errors

By Malcolm Rutherford

THIS WEEK has shown both the best and the worst of Sir Geoffrey Howe. On Wednesday afternoon, telling the House of Commons of the withdrawal of British forces from Lebanon, the Foreign Secretary was in undoubted command. Perhaps it was the gravity of the subject that impressed, but it was hard to believe that this was the same Sir Geoffrey who has made such a mess of the Cheltenham affair.

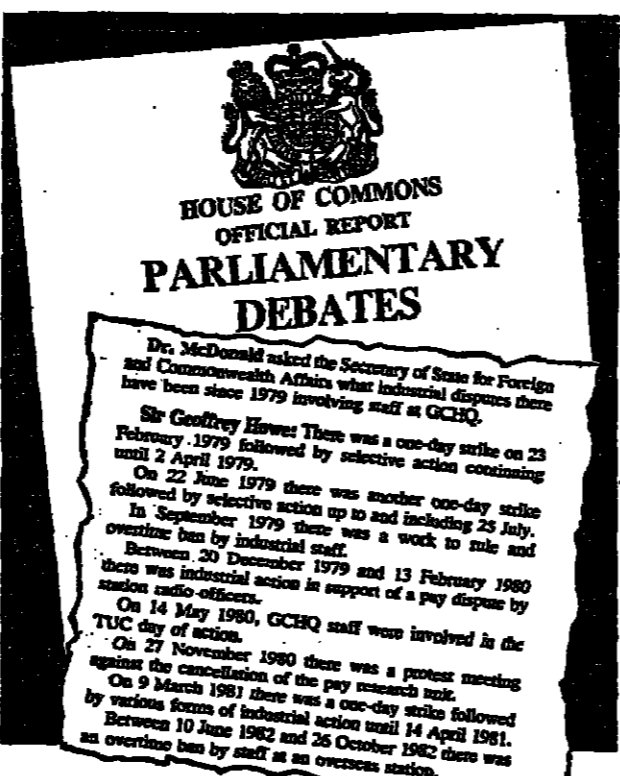
Students of politics ought to read an interview which appeared in the Daily Mail last Monday because it reveals the qualities and the limitations of the man.

The Cheltenham decision was taken by a small group

Job long enough to make the same impact on the Government's record and achievements as I did in the Treasury.

Nothing wrong with that. The Foreign Secretary is digging himself in for the long haul. Few people, after all, expected him to survive a full term as Chancellor of the Exchequer.

Strictly speaking, there is nothing wrong with that state of affairs either. The government does not work by decisions of the full Cabinet, but by a system of committees. A former minister recalls that one of the few issues that went to the Cabinet as a whole was the permitted height of New Zealand's towers in London and its effect on the skyline.



Sir Geoffrey Howe's written answer on January 30.

It is clear that it is the system which is at fault. Somebody ought to have warned Sir Geoffrey at the start, if he couldn't or wouldn't see it himself, that his statement was bound to be controversial.

There ought also to be a mechanism under which all written parliamentary answers are seen in advance by the ministers and senior officials of all the departments concerned.

This impenitence is important partly because the Government's handling of the GCHQ affair is unlikely to do it any good in the long run, even if it gets its way.

Yet there is a more significant lesson. That is how fragile the government machine is when it comes to policymaking and its presentation.

It would be unfair to blame the Foreign Secretary too much. Looking at it from the outside,

necessary economies of scale in production terms, a far higher output is essential in marketing...

As you point out, BMW and Mercedes both are poised to make 500,000 cars a year.

Eight long years ago the members of my union, TASS, published a remarkably far-sighted policy statement.

TASS then said: "No company with sales of less than 1m cars a year will survive on the assembly of 200,000 of a model per year may produce the

TV-am's value to advertisers

In your article on TV-am in the Financial Times of Tuesday January 31, you quoted the managing director of Davidson Pearce...

Could I point out that in the week ending January 29, we actually delivered in the hours between 7.30 am and 9.25 am when 90 per cent of our advertising is transmitted...

This is not a particularly surprising figure as the average figure for the previous month was 470,000.

Now we are a very interesting medium. It is a very interesting medium. It is a very interesting medium.

As a result of many years of effort by the employers' associations and trade unions and supported by NEDO, the industry's EDC and various Government Ministers and Ministers, the National Agreement was introduced in November 1981.

Efficiency in engineering

From the Chairman, National Joint Council for the Engineering Construction Industry

Efficiency in engineering

Letters to the Editor

Threat to BL in the privatisation of Jaguar

From the General Secretary, Technical Administration and Supervisory Section, AUEW

Mr. Leaving aside, as he does, the matter of privatising a company rescued from bankruptcy by the taxpayer, it is good to see your correspondent Kenneth Gooding's concern (February 9) about the living-off of newly successful BL.

Eight long years ago the members of my union, TASS, published a remarkably far-sighted policy statement.

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Efficiency in engineering

Mr Bernard Ingham, the Prime Minister's press secretary, says that banana skins are to Mrs Thatcher's second administration what the expectation of a U-turn was to her first. The Press had decided in 1979 that she would be obliged eventually to reverse her economic policy rather as Mr Edward Heath had done before her.

There are other instances. The Government still tends to deal with Ireland on a short-term basis, almost as if it were reacting solely to day-to-day events. Even Mrs Thatcher's visit to Hungary last week, and the switch of emphasis to improving East-West relations, do not seem to have been very clearly thought out in advance.

The 1959 bunker mentality in Downing Street

whether or when Sir Geoffrey is going to Moscow.

The advantage of winning a second term of office with a secure majority is that you ought to be able to plan, to think ahead, and to learn from past mistakes.

One begins to think, however, that politicians are so used to living in the short term that they are incapable of adapting to the long.

One excuse being put forward for the present approach is that it is necessary first to resolve the short-term problems before getting on to the longer

Lombard

The perils of law-breaking

By John Wyles in Brussels

MORE in sorrow than in anger, and with a discernible twinge of relief, the British Government has now completed its plans for becoming a deliberate law-breaker.

There are two important weaknesses in the case for withholding. One derives from the very unsatisfactory arrangements between the Community institutions.

The British claim that non-payment of the rebate by the Council of Ministers but never endorsed by the Parliament.

Under the latest government plan, some British payments will continue so as to enable the Community to go on funding the agricultural, social regional and other projects it sponsors in the UK.

London will aim to recoup the £457m over an eight or nine month period in the absence of a formal Parliamentary decision.

What's more, we're always ready to prove it.

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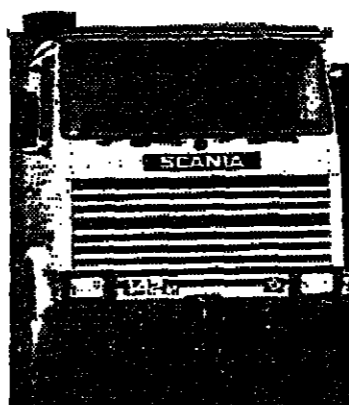
As long as a truck keeps its running costs down, it'll keep its resale value up.

So the truck you buy should be researched, designed, developed and made to the most exacting standards created by men, computers and advanced technology.

And tested to meet the world's most demanding safety regulations.

And totally built to run reliably on and on - day in, day out, year after year, with maximum efficiency, minimum maintenance.

Not to mention being good enough to rate total sales and service support at home and abroad.



SCANIA

	\$ Price in New York	£ Price in London	Implied Exchange Rate
Quarter pounder	1.50	0.64	1.89
Thick Shake	0.85	0.46	1.85
Hot Apple Pie	0.53	0.29	1.83
Basket	\$2.97	£1.59	1.87



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SECTION II - INTERNATIONAL COMPANIES

FINANCIAL TIMES

Friday February 10 1984

**TAYLOR
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TEAMWORK IN CONSTRUCTION
WORLDWIDE

Schlumberger profit and revenue tumble

BY TERRY DODSWORTH IN NEW YORK

DESPITE a recovery in North American oil drilling rig activity over the last six months, Schlumberger, the leading U.S. well testing company, suffered a 20 per cent fall in net income in 1983 from \$1.35bn, or \$4.60 a share, to \$1.08bn, or \$3.73 a share.

The decline in earnings continued in the fourth quarter, when net profits came to \$260m, or 90 cents a share, against \$311m, or \$1.06 share. These results also represented a fall on the third quarter figures, when net profits amounted to \$273.7m, or 99 cents a share.

Revenues fell in the quarter from \$1.51bn to \$1.49bn, and in the year were down from \$6.28bn to \$5.80bn.

Mr Jean Riboud, chairman, said the results came close to what was anticipated. Apart from the higher drilling rig count, offshore activity also "improved significantly" at the

end of the year, and North American oilfield revenue in the third and fourth quarters each exceeded the prior quarter.

In total, however, oilfield services revenue in the fourth quarter declined by 11 per cent compared with a year ago, with the low level of activity continuing in Latin America and Africa.

The last quarter also saw an improvement in the measurement control and components division, where revenue rose by 12 per cent, while strong demand for semiconductor in North America led to an upturn at Fairchild and in computer aided systems.

In contrast McDermott International, the New Orleans-based energy services group, boosted net profits for the nine months to December 31 from \$80.7m or \$1.64 a share to \$131.1m or \$3.30, despite a fall in revenues from \$2.92bn to \$2.37bn.

Improved margins help Aga increase dividend

BY KEVIN DONE IN STOCKHOLM

AGA, the Swedish industrial gas company, increased its profits substantially last year, helped by improved margins and the strong recovery by Frigoscandia, its refrigeration and cold-storage subsidiary.

Profits, before taxes, year-end provisions and non-recurring items, rose by 22 per cent to SKr 585m (\$72m) from SKr 481m a year earlier. The company is increasing its dividend payment by 14 per cent to SKr 10 per share from SKr 8.75 in 1982.

AGA, the world's fifth largest industrial gas group, increased sales by 7 per cent to SKr 5.3bn from SKr 4.9bn.

The group derives around three quarters of its sales from outside Sweden, and has more than 65 per cent of its assets abroad. Its gas op-

erations increased sales by 8 per cent to SKr 3.58bn and operating income in this division also rose by 8 per cent.

Operating income from the Frigoscandia division rose by 65 per cent to SKr 102m, following a radical restructuring over the last two years.

The company said yesterday that gas sales had developed favourably in Europe and the U.S. but this improvement was partly offset by economic stagnation and devaluations in several Latin American countries, particularly Venezuela.

Around 21 per cent of group sales are derived from Latin America. The group's profits performance was also helped by its stronger financial position following last year's share issue.

Bouygues forecasts 10% rise in earnings

By Paul Betts in Paris

BOUYGUES, the French construction group, expects its consolidated net earnings to increase by 10 per cent to FFr 320m (\$37.7m) for 1983 from FFr 290m the previous year.

The company also said yesterday that its sales last year rose 30 per cent to FFr 18bn from FFr 13.8bn in 1982. Orders at the beginning of the year totalled FFr 22.4bn. On that basis, the private construction group is envisaging sales of about FFr 19bn this year, of which 44 per cent would be accounted for by foreign operations.

The company said its operations in France remained "satisfactory" in a difficult economic environment. Abroad, new orders in developing countries had been less than expected last year. The outlook for new orders from those countries this year was not more encouraging, suggesting a decline in activity in those countries next year.

However, Bouygues said it had encouraging prospects for future development in the North American market.

Bouygues is currently building the new University of Riyadh in Saudi Arabia, due to be completed on schedule this summer. But M Francis Bouygues, chairman, reported to the company's board yesterday that there were some delays in payment by Saudi Arabia.

Merger expert warns U.S. banks on advisory fees

BY BARRY RILEY IN LONDON

THE HUGE fees being charged by top New York investment banks for advising on takeover deals are likely to lead to a serious backlash from corporate clients, according to Mr Felix Rohatyn, the leading merger and acquisition specialist at Lazard Freres.

"The level of these fees is beyond what is reasonable and decent," he said in a recent interview. "They are going to cause a lot of trouble for all of us."

Mr Rohatyn is himself involved in a major corporate struggle, representing Warner Communications in fending off the unwanted attack from Mr Rupert Murdoch's News Corporation, and advising on the blocking deal recently arranged between Warner and Chris-Craft Industries.

He came to prominence by masterminding a series of major takeover deals for JTI in the 1960s and early 1970s, but is probably best known for his role in saving New York City from bankruptcy as chairman of the Municipal Assistance Corporation from 1975.

His views on fees are strongly rejected by other New York investment bankers. According to one of them: "There are a lot of people who are willing to charge low fees. But it's like medicine. If you are having a heart transplant you don't want your local physician doing it."

In any case it is suggested that companies have a choice between being charged on an incentive basis and on a flat fee basis. The really big fees result from the investment banker taking credit for a successful deal but also taking the risk that it may fail. Texaco will pay First Boston \$10m on completion of the Getty Oil takeover, but perhaps only \$750,000 if it should fail to go through.

Investment bankers are coy on exactly how the fees are worked out. They are certainly not calculated on any cost-plus basis related to the executive hours put in and other expenses incurred. Sometimes there is an element of percentage charging in proportion to the gross value of a takeover deal. But bankers may also claim their share of what they regard as the value added as a result of their advice.

Recent multi-billion dollar takeover deals have generated very high fees. Goldman Sachs, for instance, stands to earn \$18m from Getty Oil as a result of the company's takeover by Texaco. This was exceptional, but fees in the \$4m to \$5m range are not uncommon.

"I think you can kill the goose that lays the golden egg," said Mr

Rohatyn. "Our industry is over-reaching." He added that the same applies to the big law firms, whose similar fees are not required to be disclosed under U.S. regulations.

Mr Rohatyn considered that the fee structure had got out of control because individual deals had become so large. The charges bore no relation to the actual work done, and the payments were largely dependent on the completion of a transaction, whereas the right advice was often to do nothing. "The fee structure shouldn't be so skewed to doing the deal," he said.

"We are all going to suffer from this in due course," he warned. "We are being held in lower and lower esteem by our clients."

The backlash would take the form, he suggested, of a trend for major U.S. corporations to do more and more of their investment bank-

ing work in-house. Besides being damaging to the existing investment banks, this trend might also have a harmful effect on efforts to regulate the takeover scene.

Other bankers, however, reject the idea that they might be pricing themselves out of a job.

The best example of an aggressive, growing investment bank in the mergers and acquisitions field is probably First Boston, which has been jostling with Goldman Sachs for the position of top M and A fee earner in the past couple of years.

Some eyebrows have been raised by First Boston's \$10m fee earned for advising Texaco in the Getty Oil affair, a sum picked up apparently for only a few days' work.

But the view from First Boston is that it is misleading to relate the fee solely to the work involved in this particular transaction.

holding company, itself subject to control by the Luxembourg authorities following the collapse of its majority shareholders, the Italian Banco Ambrosiano.

The negotiations are based on a "selling memorandum" drawn up last November by the London company, Credit Suisse First Boston.

Heavy truck market revival lifts Cummins

BY JOHN WICKS IN ZURICH

GOTTHARD BANK of Lugano, is expecting offers for a controlling interest, according to Dr Fernando Garzoni, group chairman.

A divestment of the shareholding owned by Banco Ambrosiano Holding was likely to be announced before Gotthard Bank's general meeting on April 10.

The Luxembourg-based holding company said that discussions "involve a number of international financial institutions and are at an advanced stage."

Dr Garzoni indicated that the latest date for the transaction, recently postponed until February 24, might again be put back.

More than half of the voting shares of the bank are held by the

Offer expected for Gotthard Bank

As a result of this turnaround, the diesel engine manufacturer was able to declare a profit for the year of \$8.2m net. Despite a \$19.5m non-recurring charge in the second quarter, and a nine-month loss of \$2m. Sales for the year rose from \$1.59bn to \$1.8bn and during the final quarter increased from \$361.5m to \$483.7m.

The strength of the surge in truck sales is underlined by the Cummins' third-quarter figures when it earned only \$1.5m or 15 cents a share.

The company said yesterday that it had been helped last year by lower Manufacturing costs and improved productivity.

During the year as a whole, it claimed that its share of the North American heavy duty truck engine market rose from 34.5 per cent to 37.3 per cent, as its new engine lines improved fuel economy and performance of existing products.

The company said it was expecting an improved performance throughout this year. It is forecasting a truck market of around 140,000 units in North America this year, up from 82,000 in 1983.

SEC looks at plan for more disclosure

THE SECURITIES and Exchange Commission will consider a proposal to require public companies to make more frequent disclosures about their financial performance.

Under the proposal, companies would have to provide information to the public on the performance of each of their areas of business on a quarterly basis. At present this information is required to be disclosed once a year.

Public companies are required to file quarterly reports containing considerable financial information. The proposal stems from an informal meeting in November 1982 between SEC commissioners, staff members and a small group of financial analysts and investment advisers.

At the meeting, the analysts and advisers said more frequent reporting by industry sector would help them to keep tabs on the market, a SEC official said.

Strike drags Greyhound result lower

By Terry Byland in New York

GREYHOUND Corporation, hit by a 47-day strike at its bus subsidiary Greyhound Lines, reduced earnings in the fourth quarter. Mr John Teets, chairman and chief executive, disclosed yesterday.

In the final quarter of 1983, a loss of \$9m on continuing operations compared with a \$2m profit a year earlier, although final net income edged up from \$33.6m to \$24.2m after taking in gains from the sale of discontinued businesses. Sales fell 31 per cent to \$452.2m. The strike cost the company an estimated \$25m.

Océ reports a favourable development over the year for its office systems division, centred on photocopiers but now including word-processors. Sales in the design engineering division - which includes printers, computer-aided systems and microfilm machinery - were maintained at a "satisfactory" level.

Océ has proposed a dividend for 1983 of Fl 6.40, compared with Fl 8 for 1982.

Océ-van der Grinten well ahead


BY WALTER ELLIS IN AMSTERDAM

AN 18 per cent earnings rise in 1983 has further consolidated the position of Océ-van der Grinten, the reprographics group, as one of the most successful large companies in the Netherlands.

While sales volume last year at Fl 1.66bn (\$532m), was only marginally up on 1982, operating profit rose by 3 per cent, to Fl 128m. Interest charges relating to previous restructuring were sharply down, but

tax increased by a third, leaving net profit a Fl 51m.

Group sales were held back throughout much of 1983 by the continuing effects of the economic recession. In the last quarter, however, there was a 6 per cent growth, to Fl 454m. Against this, operating costs for the year, which were slightly down on those for 1982, actually rose by Fl 10.8m in the three months to the end of November,



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The Issue Yield (as defined in, and calculated in accordance with the terms of, the Prospectus dated 8th February, 1984) on the above Stock is 12.532 per cent.


Subject to the provisions of the above-mentioned Prospectus, the Stock will, on issue, bear interest at the rate of 12½ per cent per annum, payable semi-annually, and the issue price is £97.800 per cent.

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10th February, 1984

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Payment of the principal of, and interest on, the Notes is unconditionally and irrevocably guaranteed by


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In accordance with the provisions of the Agent Bank Agreement between the Nippon Credit Bank (Curacao) Finance N.V. and Citibank, N.A., dated February 4, 1980, notice is hereby given that the Rate of Interest has been fixed at 10½ per cent and that the interest payable on the relevant Interest Payment Date, May 10, 1984, against Coupon No. 17, will be US\$127.34.

February 10, 1984, London
By: Citibank, N.A. (CSSI Dept), Agent Bank **CITIBANK**

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US\$30,000,000

Guaranteed Floating Rate Notes Due 1990



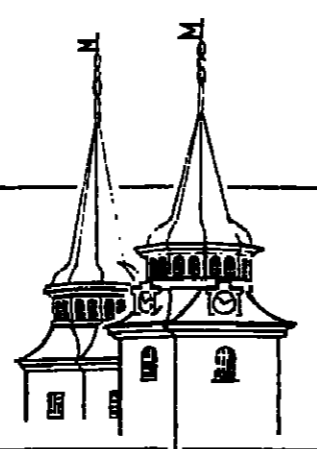
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In accordance with the provisions of the Notes and the Reference Agency Agreement between the Nippon Credit Bank (Curacao) Finance N.V. and Citibank, N.A., dated February 2, 1982, notice is hereby given that the Rate of Interest for the initial interest period has been fixed at 10½ per cent and that the interest payable on the relevant Interest Payment Date, August 10, 1984, against Coupon No. 5, will be US\$15.03.

February 10, 1984, London
By: Citibank, N.A. (CSSI Dept), Agent Bank **CITIBANK**

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This announcement appears as a matter of record only.

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through an issue of ordinary shares and redeemable preference shares

The issue was placed by

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February 1984

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BANQUE NATIONALE DE PARIS		DAIWA EUROPE Limited
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Credit Commercial de France European Banking Company Limited Gomulkes Hambros Bank Limited	Credit Lyonnais First Chicago Limited Dresdner Bank Aktiengesellschaft Fiji International Finance Limited (Handelsbank N.W. Overseas) Ltd
ICI International Limited Kleinwort, Benson Limited Kiwit International Investment Co. S.A.K.	Kidder, Peabody International Limited Kiwit Foreign Trading Contracting & Investment Co. (S.A.K.) Kiwit Investment Company (S.A.K.)
Lazard Brothers & Co. Limited Nouvel Montagu & Co. Limited Nomura International Limited PKBanken International (Luxembourg) S.A.	LTCB International Limited Morgan Grenfell & Co. Limited Morgan Guaranty Limited Orion Royal Bank Limited Scandinavisk Bank Limited
J. Henry Schroder Wagg & Co. Limited Smith Barney, Harris Upham Incorporated	Standard Chartered Bank Limited Société Générale Société Générale de Banque S.A.
Standard Chartered Merchant Bank Limited Westdeutsche Landesbank Girozentrale	Wood Gundy Limited Yamaichi International (Europe) Limited

SHB

HK Telephone tells investors to keep shares

HONG KONG — Hong Kong Telephone has advised shareholders to retain their holdings rather than accepting the general offer for its shares from Cable and Wireless of the UK.

The 1983 unaudited profits of HK Telephone have been estimated at HK\$403m (US\$51.7m), 38.8 per cent above those of 1982.

Cable and Wireless (C and W) have confirmed that they will honour the HK\$5bn investment programme of HK Telephone for the next five years. The HK\$500m a year programme for C and W's local unit is also to be continued, said Mr Brian Pemberton, the company's Far East director.

Bell Resources has 2.3% holding in BHP

BY MICHAEL THOMPSON-NOEL IN MELBOURNE

BELL RESOURCES, the flourishing investment offshoot of Mr Robert Holmes à Court's Bell Group, has extended its holding in Broken Hill Proprietary (BHP), Australia's largest company, to 5m shares and options—equivalent to approximately 2.3 per cent of BHP's issued shares.

Mr Holmes à Court said yesterday this made Bell Resources BHP's second largest individual shareholder, after the Australian Mutual Provident Society.

Last August, Mr Holmes à Court launched an audacious offer for BHP shares, via the formerly obscure Wiggins. His basic promise was that he could out-perform Australia's biggest company. The initial foray netted a mere 792,000 BHP shares. Since then, Wiggins have been converted into Bell Resources, which has been a steady and heavy buyer of BHP shares.

In addition, Bell Resources yesterday formally signed an agreement to acquire a 3 per cent stake in two major coal consortia being formed by BHP as a result of BHP's acquisition of Utah International from General Electric of the U.S.

Bell Resources' initial 5 per cent stake in the consortia cost A\$137.5m (U.S.\$127.6m). It is negotiating an option on a further 3 per cent stake in each, to be purchased from GE.

Given the large number of Bell Resources options on issue the company's potential market capitalisation is already put at not far short of A\$200m against only A\$40m six months ago.

In addition to its BHP shares, Bell Resources holds approxi-

North American quarterly results

AMERICAN GENERAL		
Fourth quarter	1983	1982
Revenue	\$	\$
Net profits	67.5m	73.5m
Net per share	0.56	0.76
Year		
Revenue	377.5m	221.2m
Net profits	3.11	2.50
Net per share		
CENTEX		
Third quarter	1983	1982
Revenue	285.2m	244.4m
Net profits	12.6m	0.22m
Net per share	0.53	0.46
Year		
Revenue	852.7m	716.4m
Net profits	25.5m	25.5m
Net per share	1.50	1.29
TEXAS EASTERN		
Year	1983	1982
Revenue	\$	\$
Net profits	154.6m	187.3m
Net per share	5.95	6.28
UNITED TELECOMMUNICATIONS		
Fourth quarter	1983	1982
Revenue	616.8m	592.5m
Net profits	53.6m	58.7m
Net per share	0.82	0.70

NZ interest rates forced down

BY DAI HAYWARD IN WELLINGTON

AFTER A week of heavy pressure and threats from Sir Robert Muldoon, New Zealand's Prime Minister, the country's finance houses and trading banks have agreed to lower their interest rates on deposits to 11 per cent.

Last year, Sir Robert acted to force down interest rates on new house and land mortgages to 11 per cent. Previously, they had been running at between 15 and 18 per cent.

The new rates did not apply to existing mortgages. Yesterday, however, under the

India rejects Alcan merger

Montreal — Alcan Aluminium said the Government of India has decided not to grant approval of the proposed merger of Indian Aluminium, 50.5 per cent owned by Alcan Aluminium, and Mahindra Minihindra, a diversified Indian company engaged in the automotive and agricultural equipment sectors.

Alcan said the tentative merger, which was announced on September 29, 1982, was subject to several government and regulatory approvals and had received the support of the vast majority of the shareholders, AP-DJ

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The Notes, issued at 100 per cent in denominations of U.S.\$10,000, have been admitted to the Official List by the Council of The Stock Exchange subject only to the issue of the temporary Global Note. Interest is payable semi-annually in August and February, the first payment being made in August 1984. Full particulars of the Notes and the Issuer are available in the Extel Statistical Service and may be obtained during usual business hours up to and including 24th February, 1984 from:-

Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN.	Morgan Guaranty Ltd, 30 Throgmorton Street, London EC2N 2NT.
--	--

10th February, 1984

NOTICE TO HOLDERS OF NISSHO Iwai CORPORATION
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Pursuant to Clause 7(b) and (c) of the Trust Deed dated 10th October, 1984 under which the above-mentioned Bonds were issued, notice is hereby given that, as a result of a free distribution of shares of common stock of the Company to shareholders of record as of 31st March, 1984, Japan Time, at the rate of 0.10 new share for each share held, the conversion price of the Bonds will be adjusted from Yen 3894 per share of common stock to Yen 381.10 per share of common stock (making into consideration a previous public offering resulting in an adjustment of less than one Yen), effective as from 1st April, 1984, Japan Time.

NISSHO Iwai CORPORATION
By: The Bank of Tokyo Trust Company as Trustee
Dated: 10th February, 1984

SEK

U.S. \$75,000,000

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14 1/2% Bonds due 1990

In accordance with the provisions of the Notes, for the period 10th February, 1984 to 10th August, 1984 the Notes will carry an interest rate of 10 1/2 per cent per annum.

The amount of interest payable on the relevant interest payment date, 10th August, 1984, will be U.S.\$508.72 per U.S.\$10,000 and U.S.\$50.87 per U.S.\$1,000.

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WHAT THE X-RAY DID FOR TB, THIS SHOULD DO FOR MULTIPLE SCLEROSIS.

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PROPERTY IN WALES

FINANCIAL TIMES REPORT BY ROBIN REEVES

Development of the market remains largely underpinned by initiatives from public institutions of various kinds

Public bodies foster private ventures

NOT MANY years ago, news that the Government was planning to reduce the amount spent on regional development grants by half, with particular emphasis on the aid disbursed to Wales (and Scotland), would have sent a shudder through the Welsh property market.

Ever since the 1950s, Wales has been a major recipient of regional development aid as it has sought to overcome the legacy of overdependence upon the coal and steel industries.

As it is, last month's publication of a Government Bill designed to lead to "a significant reduction in planned expenditure on regional development grants," caused very little fuss. There is far more concern about the impact of the Severn Bridge's problems on the flow of inward investment in industrial south Wales.

The chief influences in the industrial and commercial property markets in Wales are:

- The investment and marketing activities of the Welsh Development Agency.
- The availability of Welsh Office selective financial assistance and urban development grants to encourage private sector developments.
- The Land Authority for Wales's powers to assemble sites, put in the necessary infrastructure and sell them on for development.
- The enterprise zones at Swansea, Flint in North Wales, Milford Haven, and now the new Freeport at Cardiff.
- The efforts of the Wales Tourist Board to stimulate private investment in new tourist facilities.
- The work of local authorities, and the growing number of enterprise trusts, to improve industrial and business infrastructure and accommodation.
- The major improvements still being made in the Welsh roads network.

But the vital point is that, in keeping with government policy, virtually all the activities of the public sector institutions are being increasingly geared to stimulating private investment, notably in the property sector. As the recovery gets underway, albeit relatively slowly, they are triggering a range of interesting developments.

This last project is the most spectacular example to date of the WDA's growing merchant banking role. To get the project off the ground, it pulled together a venture capital package of £7m, which includes major City Institutional funds.

In addition, there has been a growing number of expansions by longer-established, overseas-owned, companies such as National Panasonic and Sony, and Welsh based-groups such as AB Electronics, Datatype Terminals and Dragon Data. AB Electronics is developing a major new facility at Rogerstone, Gwent, for the production of Acorn Microcomputers, sub-assemblies for the IBM personal computer, and electronic systems for the new Jaguar car.

Major stream

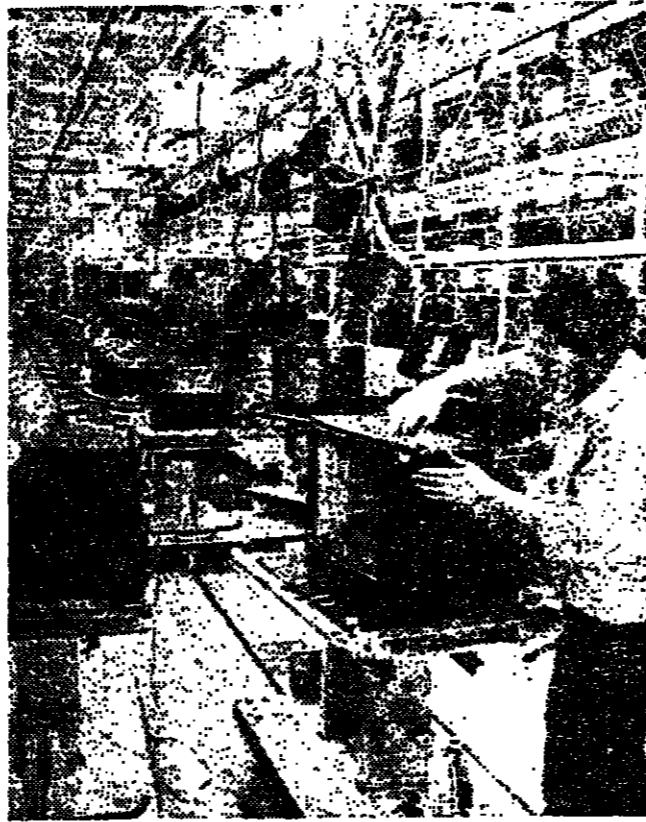
North Wales, too, has been enjoying a stream of major new projects. The most spectacular last year was United Paper Mills's £125m investment in a new paper and newspaper mill. The most recent this year has been Angus Chemicals, a £8m U.S.-French fine chemicals venture.

Overall, the WDA has let just about 1m sq ft over the past 12 months at gradually improving rents. Demand is most buoyant in the South East corner of Wales and in the Deeside-Wrexham area of North Wales.

The gradual improvement is also reflected in the success of local authorities have been having with small units. Torfaen borough council, for example, has only seven of the 27 workshop and small factory units it completed on the North Ffynnon industrial park last May still unoccupied.

Further west, the Neath Development Partnership, a CBI-initiated partnership between the private sector and Neath borough council, has let 40 of the 50 small industrial units it has built in the past two years, even though the area has to compete with the attractions of the nearby Swansea Enterprise Zone.

Still further west, Llanelli borough council has let all 31 units in a workshop complex completed a little over a year ago on Trostre Industrial park. It has also been able to allocate provisionally all available plots



The television production line at the Sony plant at Bridgend, part of the flow of high technology projects being attracted to Wales.

on a 64-acre industrial estate it is developing at Cross Hands.

The more buoyant market for industrial property is not reflected to the same extent in the office sector. To Cardiff's great disappointment, there has been no follow-up to Chemical Bank's relocation of most of its UK activities from London to the Welsh capital.

That said, agents report a better turnover of office suites and a lively demand for space in attractive locations. A rental of £6 a sq ft has been agreed for 30,000 sq ft in Fitzalan Court, a new development by Campaign Properties aimed at the regional headquarters market which is due to be completed by the end of the year.

A sign of better times to come is a more buoyant market for development land. According to Mr Ted Howells, chief executive of the Land Authority for Wales, there is much more interest from prospective buyers than six months ago. He does not see a boom but rather a gradual uplift in all three main sectors of the market.

The Land Authority tends to have its finger on the pulse because of its role in ensuring there is an adequate supply of development land to meet the needs of the market. During the year ended last March 31, the authority disposed of only 312 acres, worth £4m, and was mooted during World War I.

forced to cut back purchases into its revolving land bank to only 58 acres worth £1.1m to avoid cash flow problems.

This financial year, its disposals to the building industry have greatly improved and it is on course to meet its sales target of £7m. It is also confident of meeting its £5.5m acquisitions target.

Marked progress

Another important aspect of the current market in Wales are the changes still taking place in property perspectives as a result of communication improvements. Over the past year marked progress has been made in speeding up communications with west Wales, due to the opening of the Carmarthen bypass and the straightening of other key sections of the A40.

In North Wales, work is now pressing ahead in earnest on the A55 dual carriageway which will provide a far faster link between the English border and Anglesey.

Sharp improvements are also being achieved in communication links in the South Wales valleys, and in and around Cardiff, which are long-overdue. By all accounts the building of a dual carriage link between Cardiff and Merthyr Tydfil, which is currently experiencing a good demand for its existing units in the area which augurs well for the future.

In North Wales, Delyn's 293-acre enterprise zone at Flint is just six months old. It has so far attracted six new companies to the zone which together with

Swansea and the other enterprise zones are expected to provide a growing stimulus

Encouraging inflow of new companies

THE WELSH industrial and commercial property map has been altered significantly in the past year by the addition of Milford Haven and other enterprise zones to Wales' first at Swansea.

Most intriguing is the Milford Haven EZ, which is due to be officially designated in a matter of weeks. It is unusual among enterprise zones in being made up of 13 separate sites, totalling more than 350 acres, scattered around the Milford Haven waterway. Moreover, they offer considerable opportunities for leisure and tourism projects as well as industrial and commercial developments.

On the north side of the waterway the zone takes in 48 acres of the Milford Docks area, three other sites with deep-water access and two others embracing both existing industrial estates and green-field sites.

On the south side there are six separate sites in and around the town of Pembroke Dock. The two largest are 49 acres of the former Royal Naval Dockyard and 53 acres around the Waterloo Estate, where there is scope for the development of a marina.

Forum established

Because of the EZ's fragmented character and the multitude of owners involved an upsurge in development is by no means assured. But in a bid to get things moving, the two district councils involved, Preseli and South Pembrokeshire, have formed an EZ forum embracing other interested bodies such as Dyfed County Council and the Milford Haven Conservancy Board and have appointed a full-time EZ manager. The Welsh Development Agency (WDA) has also been called in to advise on a development and marketing strategy.

Attracting projects to a site as far west as Milford Haven is not easy but communications have been improved significantly in the past year by trunk road improvements and the WDA is currently experiencing a good demand for its existing units in the area which augurs well for the future.

In North Wales, Delyn's 293-acre enterprise zone at Flint is just six months old. It has so far attracted six new companies to the zone which together with

established companies inside the boundaries have created 149 jobs since designation. The level of enquiries for space has been growing and Delyn has only one small unit left available. But the WDA has 17 units to let, ranging from 1,500 sq ft to 10,000 sq ft, and David McLean, local developer, is building a 18,000 sq ft factory within the zone which can if necessary be divided into smaller units.

Unfortunately, major re-development work has been slowed a little by a Welsh Office moratorium on local authority capital spending until April. This has held up clearance from large parts of the zone of old premises and the provision of infrastructure and new services.

£18m investment

Meanwhile, Swansea's Enterprise Zone is continuing to bear out its reputation as one of the more successful in the country. The amount of new floor space is now approaching the 1m sq ft mark, thanks to £18m of mainly private capital investment since the area's designation was first mooted in the 1980 budget.

At the last count a total of 119 companies had moved into the zone, which is to be expanded shortly to take 400 heretic acres, bringing it up to 775 acres. Of the businesses that have moved in, 69 are new undertakings and 50 are locations within the locality. They represent a good mix of manufacturing, wholesaling and retailing, employing together nearly 1,000 at present and an expected 1,500. On average about one in ten enquiries for space are being turned into specific developments.

Swansea Council remains optimistic. The take-up of advance factory units has been rapid and, significantly, all the private development companies which have undertaken building schemes since designation are

continuing their involvement in the zone.

The incentives of an enterprise zone are of course a defining asset. In Swansea's case they are due to expire in a little over seven years. As a result the council is already beginning to stress the inherent value of the zone as a prime industrial and commercial location and, as evidence, is pointing out that some of the advance factory developments in the zone are being financed by a pension fund which requires to take a long view.

Abrupt halt

Another measure of the Swansea zone's long-term attractiveness is that Comfort Inns are proposing to build a 127-room hotel with associated conference and trade exhibition facilities within the zone.

It would have liked the added advantage of freeport status—for which it applied—but speculation over which Welsh port might secure freeport status was brought to an abrupt halt earlier this month by the Government's announcement that Cardiff is to be one of six in the UK.

The developer to win the Cardiff prize is a consortium pulled together by Pearce (Wales), a subsidiary of the C. H. Pearce group. It also includes consultant engineers Ove Arup and Partners, I. E. Symonds, the Cardiff quantity surveyors, and two Cardiff architectural partnerships, Lawray and Dale Kennedy.

Mr Allan Pike, marketing manager of the project, says that the consortium is initially planning to develop 40 acres. It has the option of two Welsh Development Agency sites or Swansea Council remains optimistic. The take-up of advance factory units has been rapid and, significantly, all the private development companies which have undertaken building schemes since designation are



New developments in Swansea's Enterprise Zone.

Regional grants

It remains to be seen if Wales's reaction has been misjudged. In 1982-83 it received £182m in regional grants and the year before that £211m. In the fiercely competitive international market for new and expanding industries, Wales can ill afford any weakening in its incentives package.

On the other hand there is an argument that the label "assisted area" is becoming a drawback, that it paints a now totally false picture of Wales as an area of industrial grime and coalpits. Furthermore, if the current regional policy review results in a shift towards greater encouragement of service industries, it could give a desirable boost to the growth of specialist and professional services, essential to a modern economy but which have tended to be under-represented in Wales.

Certainly, Wales, unlike Scotland, has no powerful long-established financial community of its own. This is important when it comes to satisfying the shifting and increasingly sophisticated demands of the industrial and commercial property market and it explains why public sector institutions rather than private sector are playing an increasing entrepreneurial role in the property market in Wales.

ON OTHER PAGES
Industrial property; Cardiff; Swansea — II; Retail property; Tourism — III

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PROPERTY IN WALES II



The Welsh Development Agency's Deeside Industrial Park, Shotton, where the first innovation centre in Wales was launched.

WDA strengthening the country's industrial infrastructure Science park on the way

SWANSEA UNIVERSITY science park is not yet a reality but there is every sign that it will see the light of day very soon as a result of the aggressive new merchant banking role being adopted by the Welsh Development Agency to strengthen Wales' industrial property infrastructure.

The scheme on the drawing board is for an innovation centre, a biotechnology block and other facilities, where promising new products and processes, developed in Swansea University College's research laboratories, can be put on a business footing in a relatively sheltered environment, before being launched commercially. The venture would however be required to pay realistic rents of £3-£4 a square foot.

Response

The WDA, in association with Swansea City Council and West Glamorgan County Council, has already funded a research project which confirmed Swansea as one of the few universities where "spin outs" to the benefit of the local economy do actually happen already. It has also sounded out the EEC social fund about the possibility of financial backing for the science park's management structure and the response has been positive.

Now the WDA is seeking a private developer to put up the bulk of the cash for the development and three are already showing interest.

The Swansea science park is just one illustration of the

agency's new approach. Gone are the days when the WDA was mainly concerned with crash advance factory building programmes in response to the massive redundancies in the Welsh steel industry in the late 1970s and early 1980s.

The first innovation centre in Wales was launched on the WDA's Deeside industrial park, North Wales, last spring, in association with Clwyd County Council and the North East Wales Institute of Higher Education.

In the summer, it unveiled plans for a similar development, aimed at high-tech ventures requiring high quality accommodation, at Cleppa Park, Newport, but neither has private sector participation.

However, the agency sees its role increasingly in terms of using its expertise and public resources to "lever out" private investment — by identifying opportunities, doing the feasibility studies, and then seeking a partnership with the private sector developments in which the risks and investment costs are shared, as well as the rewards.

Moreover, the agency is no longer limiting itself to industrial property alone. Under the heading of "special projects," it is investigating leisure, shops, office and even residential investment opportunities.

An early success of this broader-based approach is the plant development of a disused dock at Penarth, near Cardiff, as a yachting marina. The WDA helped the local authority to decide how the development should take place,

and with the choice of developer and operator. Originally, the WDA expected also to participate financially in the project. But in the end, a local consortium pulled together to carry out the construction, felt sufficiently confident to press ahead with the scheme on its own.

Shops

The same has also happened in the case of the agency's first excursion into the shops market. What began as an upmarket shopping development in a major town, with WDA financial participation, is now being financed by the private developer alone.

In the meantime, the WDA still has a good deal of conventional industrial space on its hands, a hangover from the period in 1981-82 when it was completing more than one factory a day in steel closure areas. But it is a measure of the improving market that the percentage of empty space in its portfolio has fallen from a peak of 15.5 per cent in November 1982 to a current level of 13.6 per cent.

In the past 12 months, the agency has let 130 factories, totalling 1m sq ft, reducing its stock of unoccupied premises to 2.9m sq ft or 400 factories.

Demand has been particularly buoyant since the autumn and this has produced a 30 per cent improvement in lettings in the second half of 1983 compared with a year earlier. As a result, the agency believes it can find tenants in the coming 12 months for a further 1.5m sq ft.

At the same time, it is acting

to ensure that it maintains an adequate range of ready-to-occupy units of different sizes. A modest programme of new factory building has just been announced — 15 units in North Wales and 13 in South Wales — to provide a total of 130,000 sq ft and fill gaps in the range available in certain areas.

Demand is proving particularly buoyant in the Newport-South Gwent area. As well as a good take-up of off-the-peg premises, the agency is also building bespoke factories for AB Electronics, Berlei and Benson's crisps. There is also a firm demand in Deeside and Wrexham, North Wales, where rents tend to be 10-15 per cent cheaper than in South Wales.

The agency would be happy to leave more development to industrial property to the market. But the private sector remains generally hesitant about committing itself to speculative ventures, though the WDA's activities have not prevented the Norcross Group from achieving an excellent take-up of units at top rentals on the large industrial estate it is developing in North Cardiff, Cardiff Industrial Park.

Moreover, in distinct contrast to most other parts of the UK at present, the agency is achieving significant rental growth.

On a six-month rolling average, the rental of WDA lettings is now up to £1.40 a square foot, compared with only £1 three years ago. The straight average for the month of December was £1.63, compared with £1.24 a year ago. Small units in attractive locations are now attracting £2 to £2.50 a square foot.

Marina, hotel and conference centre scheme attracting attention in Europe

Swansea regains sea legs

ANYBODY WHO knows Swansea but has not visited the city recently is likely to be bowled over by the dramatic transformation now taking place between Swansea's old commercial centre and the sea.

What, only months ago, was Swansea's derelict South Dock and foreshore is now well on the way towards being comprehensively redeveloped as a major, and very attractive, new extension to the city.

The central features of the redevelopment — the refurbishment of the dock as a 17-acre yachting marina, with space for 300 boats and new high-speed lock gates — is largely completed.

Work is about to start on a new 150-bedroom hotel and a 1,000-seat conference centre being developed by Ocean Properties, a Florida-based hotel group, which has chosen what is now known as Swansea's Maritime Quarter for its first excursion in the UK hotel business. Construction of a number of other residential — commercial schemes incorporated in the overall development is already well advanced.

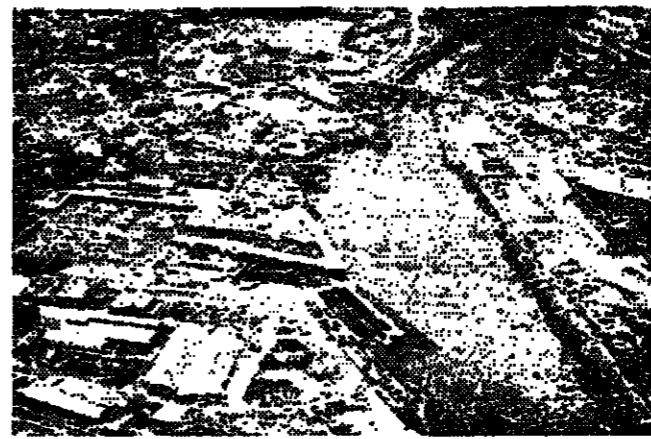
Tailored

The key to the rapid progress being made on this major redevelopment, which has attracted attention throughout Europe is what is being dubbed "the Swansea system" — administrative and planning processes which have been specially tailored by Swansea City Council to achieve rapid land development and private sector partnerships.

Mr Maurice Howell, the city's Director of Planning, describes the important stages of the Swansea system as land assembly; preparation of tight planning briefs for various sections of the scheme; early prior planning approval by deemed consent; the inviting of tenders from developers; their competitive appraisal and assessment; the selection of optional proposals; and finally the formulation and completion of a partnership scheme between the council and developer.

The net result of this approach is that for public expenditure of £8-£10m in land acquisition, new infrastructure and services, Swansea has succeeded in attracting more than £50m in private investment.

Swansea ratepayers have obviously put up a slice of the



Aerial view of some of the redevelopment, including the yachting marina, that has already been carried out at Swansea.

trial-retail development by Target Housing, and a £10m superstore by Sainsbury.

Demolition of the derelict Weaver mill, which has long scarred the eastern entrance to Swansea, to make way for Sainsbury, is well advanced.

Only two sites within the new maritime quarter are not yet tied up. One is for a marina-related retail, leisure and amenity block of less than one acre. The other is the conversion of an old pump house alongside the marina into a commercial property.

Swansea's major redevelopment ambitions have by no means been exhausted by the new Maritime Quarter. It is now setting its sights on revitalising the area alongside the River Tawe, to the north of the redevelopment.

To this end, the council has put in a bid for designation as the site for the third British gardens festival.

A central feature of this redevelopment will be the building of a barrage across the mouth of the River Tawe to create an attractive lakeside environment for a range of developments. Its effect will not only be to remove the psychological barrier which has long existed between West and East Swansea, but it will also be the final piece in the jigsaw of repairing the ravages of the lower Swansea valley by 19th century industrialisation.

On the instructions of the Welsh Development Agency

Package of Five Freehold Industrial Investments For Sale

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Plan for dockland speeding ahead

£80m Cardiff scheme

Inspired by Swansea's example and with the active encouragement of Mr Nicholas Edwards, Secretary of State for Wales, Cardiff has embarked on the redevelopment of a large slice of its derelict dockland to give a major fresh dimension to the Principality's capital city. The project is going forward at considerable speed.

It is less than a year since the idea of comprehensively redeveloping a 154-acre area around Bute East Dock was first discussed. Yet Tarmac Construction, the developer selected for the scheme, is due to be on site in a matter of months.

There are fewer than five consortia put up attractive plans for the redevelopment project, which will cost around £80m. But it quickly developed into competition between McAlpine and Tarmac. So too did the chief landowner, Associated British Ports, and the Land Authority for Wales (LAW), which had originally started to assemble the land from a variety of ownerships for industrial uses, using its powers to buy and sell development land. The two have formed a partnership to bring forward the land required for the scheme. But LAW will dispose of its holding once the development is completed.

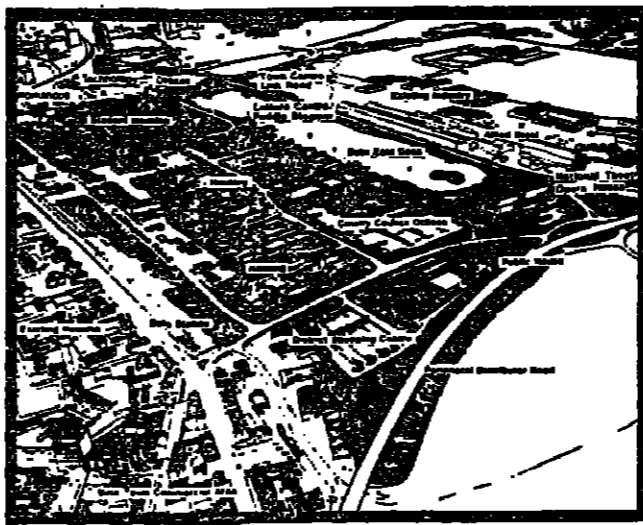
Budget
The final go-ahead is now awaiting a Welsh Office urban development grant (UDG) allocation. Tarmac originally applied for £3.2m towards the £24m cost of the first phase of the development, scheduled to be completed in three years. But this assumed that the Welsh Development

Agency (WDA) would be able to clean up the site from its derelict land budget. But it has been found to be outside the WDA's legal powers so that the UDG requirement is now £8m.

Even so, given the Secretary of State's enthusiasm for the project, the amount required is still expected to be forthcoming, albeit in two or three tranches. There is also a safety problem with gas tanks belonging to Allied Steel overlooking the site. This will have to be dealt with. But again, given the political momentum, this is not regarded as an insuperable obstacle.

Over 40 acres of the development will be devoted to a mix of residential units and student accommodation, another 10 acres to a district shopping centre and a further 14 to a new county hall for South Glamorgan. Provision is also being made for the eventual building of a Welsh National Theatre-Opera House on a seven-and-half acre site. Commercially, major office developments were ruled out by the original brief. But more than £2m will be spent on refurbishing derelict warehouses as offices, workshops and small shops. There will also be some quality nurseries for seed bed high technology ventures.

The amenity value of the dock will be exploited vigorously. The scheme also includes a water sports community centre for developing its use as a place for sailing, canoeing and angling.



Tarmac's plan for the redevelopment of the 154 acres around Bute East Dock, Cardiff.

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PROPERTY IN WALES III



One of Llandudno's main shopping thoroughfares, Mostyn Street. A study recommends restoration of the cast iron verandas over the shops, a distinctive feature of the resort's Victorian traditions.

Resorts hope to attract entrepreneurs in entertainment schemes

Expansion at the seaside

BY THE end of this decade the elegant seaside town of Llandudno, queen of the Welsh resorts, will be enhanced by a major new attraction—a 70-acre American-style entertainment park along the lines of Disneyland and Legoland City, providing, that is, the Wales Tourist Board (WTB) can find an appropriate developer with some £35m to invest in the project.

This ambitious scheme is just one of a series of tourism and investment packages which the WTB is identifying and marketing to prospective investors in order to strengthen Wales's competitive edge in the tourism business and encourage expansion in one of Wales's most important industries.

Although competition from overseas resorts remains as fierce as ever, Wales has 12 per cent of the British holiday market and is doing well in the growing second holiday and short breaks sector. Yet the WTB is acutely conscious of the fact that the industry will only continue to prosper so long as it upgrades the quality of its attractions.

The Llandudno project is the

outcome of a £15,000 feasibility study which was also backed by the town's local authorities and by local interests. It is estimated that such an attraction could pull in 2m visitors a year to Llandudno, earn at least £12m per annum, give permanent employment to 300 people and seasonal employment to a further 330.

Themes

The proposed themes for the entertainment park include Alice in Wonderland, sun and seascapes from around the world, George Borrow's Wild Wales and the mediaeval history of the county of Gwynedd.

Another example of the WTB's new approach is its strategy for a chain of marinas around the Welsh coast. This was first published in 1982 and is now stimulating activity on the ground. Near Cardiff a local consortium has decided to go ahead with the redevelopment of Penarth's derelict dock as a marina, which will tie in well with Swansea's already completed marina. Developers are also showing interest in projects at Porthcawl, Aberystwyth and Pwllheli and more work is

going on in respect of Holyhead and Rhyl.

More recently, WTB published a detailed examination of Wales's historic resorts, designed to alert property investors and local authorities to the importance, in terms of visitor appeal, of repairing buildings and whole areas in traditional resorts in a sympathetic manner.

In Llandudno, for example, the study recommends the restoration, replacement and repair of the cast iron verandas which line the main shopping streets and a system of signing which would reflect the town's Victorian traditions.

For Aberystwyth the report suggests that a tourist enterprise precinct could be successfully linked in with the harbour redevelopment. In Colwyn Bay it says that Station Road probably has the greatest potential in North Wales for the revival of a high quality shopping enclave for the more affluent tourist.

Further WTB strategies are about to be unveiled for the inland water resources of Wales and the industrial valleys of the south. The first will identify specific development opportuni-

ties, using Wales's inland lakes, rivers and canals. The second will point the way forward for capitalising on Wales's unique industrial heritage.

Museum

A number of important projects has already gone ahead in industrial Wales, notably the conservation of Big Pit in Gwent's Eastern Valley as a museum for the once massive South Wales coal industry. In West Glamorgan the Neath Development Partnership has identified six projects requiring investment of up to £500,000 to develop the Neath Valley's tourist appeal. It has also got local interests together to form a tourist association to market the area's attractions.

Mr Gwyn Davies, WTB's development director, stresses that the overall strategy is also taking account of the need to avoid an overlap and duplication of specific themes and attractions. The Industrial Valleys Study, for instance, comes out against conservation of another coal mine as a museum—the Rhondda would like one of its own—but suggests different attractions for different valleys.

Big superstore proposals dominate the retail sector

Developers boost their shopping list

A RECENT survey of High Street shop rents by Bernard Thorpe and Partners in 45 towns and cities throughout Britain came up with the unexpected finding that prime sites in Cardiff are presently more expensive than Regent Street and Knightsbridge—£85 a square foot as against £70 and £60 in the London centres.

One possible explanation may be that Cardiff has a major new shopping facility in the shape of the St David's Centre. But it may also be a pointer to why Guardian Royal Exchange has gone to a public inquiry to contest Cardiff City Council's refusal to grant planning approval for its proposed £23m Queensgate development in the central shopping area of the city.

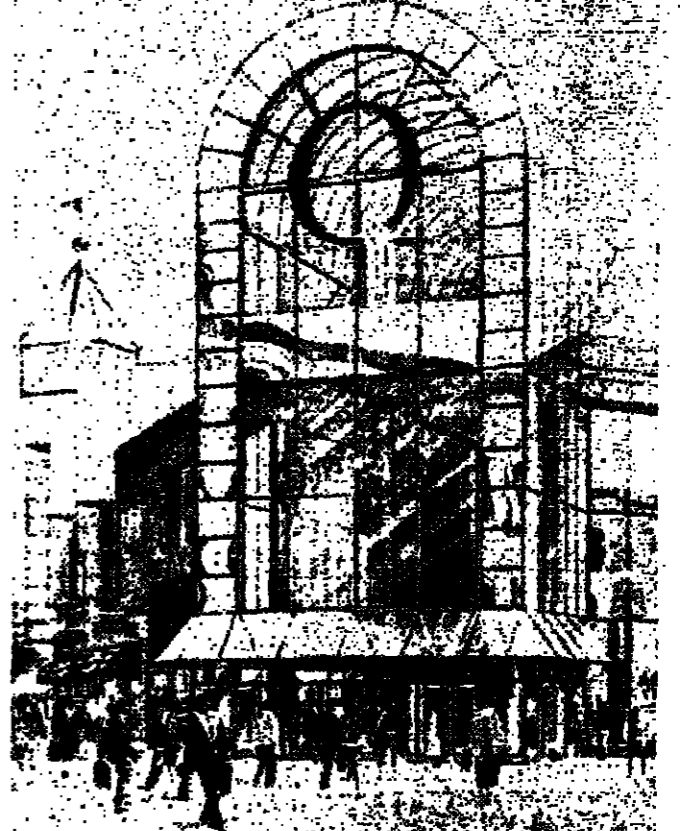
As proposed, Queensgate would be a Covent Garden-style speciality shopping centre complete with waterfall and pavement cafes. But the fear, being forcefully expressed in

An anchor

the inquiry is that it will lead to Cardiff being overshopped. One witness claimed up to £30m in turnover would be siphoned off existing traders and that speciality shops in Cardiff's existing network of arcades would be closed.

Moreover, should an anchor department store be eventually incorporated, as some Cardiff property experts feel would be necessary to make a success of the development, existing major stores would also be hit. The nub of Guardian's case is that the city is being unduly cautious and that by the time the development is completed, rising prosperity and a greater inflow of shoppers from outside Cardiff would more than compensate for the increased competition. The outcome of the inquiry is awaited with considerable interest.

Fierce local authority resist-



Artist's impression of part of the £23m proposed Queensgate development in Cardiff by Guardian Royal Exchange, now the subject of a planning inquiry.

ance is not generally proving to be a problem when it comes to superstore development. Construction is continuing apace, despite the fact that Wales already has a far higher density of superstores per head of population than the UK average.

The Co-operative Retail Society's (CRS) Leo subsidiary, with 13 superstores in Wales already, is building three more at Ammanford, Cardigan and Cross Hands and seeking to build another two at Barry and Newport and with 10 per cent of its turnover earmarked for new developments it is on the lookout for fresh sites.

Pesco, with nine Welsh superstores, is also expanding, in some instances by the extension of existing stores. In one instance, however, it has run into opposition. This is on plans for a major new store on Cardiff's western outskirts, at Culverhouse Cross. However it is going to appeal.

The significant newcomer to the Welsh superstore scene is Sainsbury which is expanding westwards after years of limiting its presence to Cwmbran. One Sainsbury superstore has

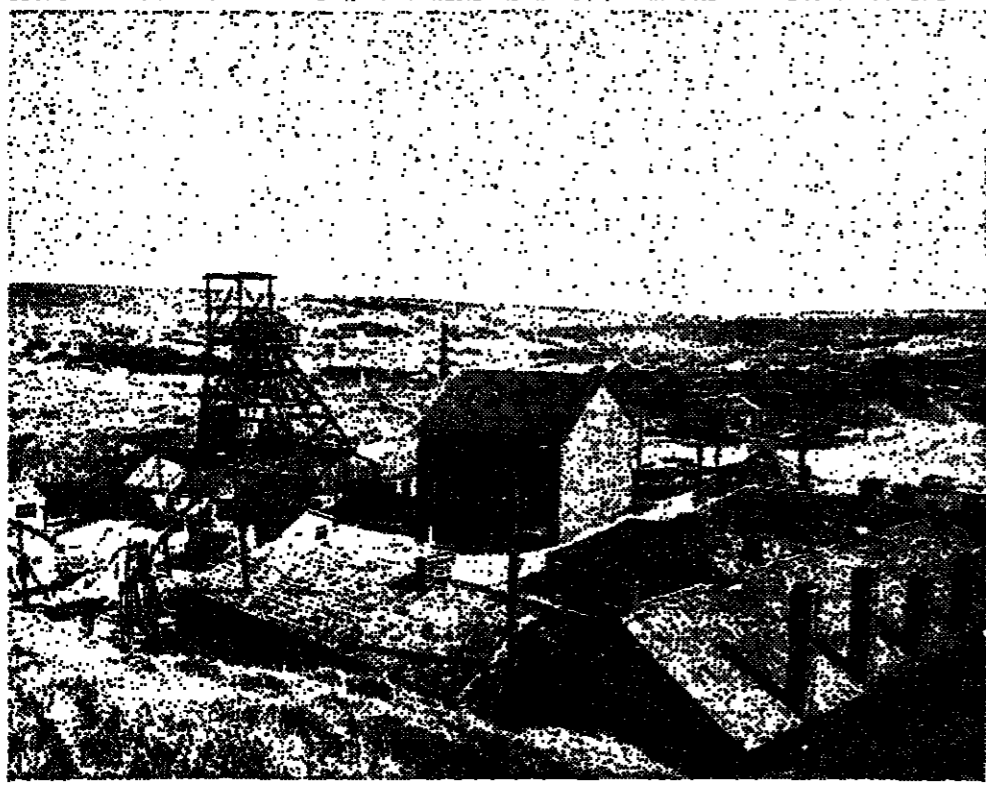
already opened in East Cardiff, another is under construction in the north of the city, and a £10m development is to go ahead on Swansea's eastern approaches as soon as demolition work on the derelict Weaver mill, now underway, is completed.

Five superstores


Last but not least, Asda has also decided to add to its five superstores in Wales by taking over an approval at Coryton, North West Cardiff, from BAT's International subsidiary.

All these retail investments, however, promise to be dwarfed by Wales' biggest ever retail deal—the impending sale of Cwmbran's shopping centre.

Extending to nearly 300,000 sq ft of shopping area, 168,000 sq ft of offices and parking for over 3,000 cars and counting Marks and Spencer, Woolco and Sainsbury among its tenants, it is being disposed of as part of the process of winding up the Development Corporation. Hillier, Parker, May and Bowden are the agents.



Notable projects in industrial Wales include the conservation of Big Pit, Blaenavon, in Gwent's eastern valley, as a museum for the South Wales coal industry



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FINANCIAL TIMES SURVEY

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The Financial Times proposes to publish the above survey on

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Should you require further information, please contact Anthony Hayes on:
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ALLMÄNNA SVENSKA ELEKTRISKA AKTIEBOLAGET - A.S.E.A. US\$ 30,000,000 8% Bonds 1986 We hereby give notice that, in accordance with the terms of the above-mentioned loan, Bonds for the principal amount of US\$ 2,156,000 have been drawn on January 23, 1984 for the principal amount of Bonds purchased by the Company: US\$ 844,000.

Table of bond drawings with columns for bond numbers and amounts. Includes a note: Bonds surrendered for redemption should have attached all unremitted coupons appertaining thereto.

Luxembourg, February 10, 1984 Principal Paying Agent KREDIETBANK S.A. LUXEMBOURGEOISE

UK COMPANY NEWS

Chairman expresses confidence in prospects and crowning two years of rapid growth...

Imps accelerates to over £195m and increases dividend

PROFITS growth at Imperial Group during the second half of the year to October 31 1983, was double that of the first six months...

Five-year summary of Imperial accounts: Table with columns for years 1979, 1980, 1981, 1982, 1983 and various financial metrics.

Translated into sterling, the operating outcome at Howard Johnson, the U.S. subsidiary, finished 24 per cent higher at £19.4m (£15.6m). This represents a 9 per cent growth rate in dollar terms...

ence for the future, he states. The development of management by strategy within the group means that consistent profit improvement does not depend mainly, or even primarily, on cost cutting...

gradual shift in the group's interests from mature growth industries. Concluding his statement, Mr Kent says he is confident that with the actions and results of the last two years providing a new base, the group is well on course for continuing profit growth.

Lourho soars £38m to £113m and expects advance to continue

Lourho, the international trading group, pushed its pre-tax profits up to £113.2m for the year to end-September 1983. This was an advance of over 50 per cent on the £75.1m reported for the previous year...

group's share of turnover of associates for the past year totalled \$94.1m, compared with \$87.5m in 1982. The group's share of associates' profits rose from £20.6m to £33m. Tax for the year accounted for \$55.7m (\$58.7m) and minorities at \$16.9m (£16.4m).

Greenall Whitley profit ahead

SALES AND pre-tax profits of Greenall Whitley for the first three months of the financial year were ahead of the corresponding period, Mr Christopher Hutton, chairman, told shareholders at the annual meeting.

months to September 30 1983, pre-tax profits of the group which has subsidiaries involved in wines, spirits, soft drinks, holiday tours and hotel management rose 16 per cent to £24.0m, against £20.7m (1982) over was up at £258.74m (£226.61m).

Second half upturn at SAI

AN ADVANCE of £1.29m to £8.02m in taxable profits was achieved by Scottish Agricultural Industries in the 12 months to December 31 1983.

However, after a combination of a higher tax provision of £2.61m (£1.76m) and a special depreciation charge of £480,000 attributable profits were little higher than the previous year.

Advertisement for Greenall Whitley: WHO IS BRITAIN'S LEADING OVERSEAS HEALTHCARE GROUP?

Advertisement for SAI: AN ADVANCE of £1.29m to £8.02m in taxable profits was achieved by Scottish Agricultural Industries in the 12 months to December 31 1983.

DIVIDENDS ANNOUNCED: Table listing companies like Anglo-American Secs., Bank Leumi, Dale Electric, etc. with columns for current and future dividends.

Advertisement for London and Northern Group PLC: Construction, Healthcare - and much more besides.

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Advertisement for Richard M. Furber and Benjamin E. Bensingher III: Vice-President and Branch Manager, Vice-President, Investments.

Advertisement for Granville & Co. Limited: Member of NASDIM. Over-the-Counter Market. Table of share prices.

Advertisement for Goode Durrant & Murray: Chairman Lionel Robinson reports on the results to 31st October, 1983. Table of turnover, profit, etc.

BIDS AND DEALS

Taddale bid rejected by Prince of Wales

By Charles Batchelor
Prince of Wales Hotels yesterday rejected a £7.55 cash bid from Taddale Investments, the industrial holding group which recently failed in its attempt to gain a Stock Exchange listing.

Fisons first major U.S. acquisition

BY DAVID DODWELL

Fisons, the UK group which manufactures agrochemicals, pharmaceuticals and scientific instruments, has agreed to purchase Carlisle Matheon Scientific (CMS) from the private U.S. company Coulter Electronics, in a deal that will cost them about \$85m (£59.7m).

The deal boosts Fisons' scientific instrument operations, which now account for almost 50 per cent of group turnover. In the U.S., in particular, the expansion will counterbalance its pharmaceutical and horticultural operations, Mr Kerridge said.

Ferranti pays £6.4m in U.S. expansion

By Charles Batchelor

Ferranti, the electronics group, is to pay about \$9m (\$6.4m) to buy TRW Controls Corporation of the U.S., a manufacturer and supplier of control, data acquisition and energy management systems for the gas, electricity and oil distribution industries.

Early acceptance by Prudential in £11m offer for F. Miller

BY RAY MAUGHAN

Prudential Assurance made an early and potentially decisive move in the battle for control of Glasgow-based F. Miller (Textiles) when, a week before the final bid deadline, it accepted the contested £11m equity offer from Nottingham Manufacturing.

Sunlight acquires rival's subsidiary

BY RAY MAUGHAN

THE LONG struggle for dominance in the laundry and detergent industry came full circle yesterday when Sunlight Services Group, one of the key protagonists in the series of battles which lasted more than one year, acquired a subsidiary from Fritchard Services Group, its arch rival last summer.

The payment for these four businesses is about £2.5m in cash. Sunlight, however, believes that the total consideration coupled with the additional working capital required should be financed by a placing of 1.6m new Sunlight shares at 20p each to raise £3.2m net.

Comtech sells subsidiary for £2.5m

Combined Technologies Corp., a designer and manufacturer of control systems, has agreed in principle to sell its wholly-owned subsidiary Tricom Supplies to Walter Lawrence, a construction and engineering concern.

Terms for Gleneagles are final

BY DAVID DODWELL

Arthur Bell, the Scotch whisky distiller, yesterday squashed all remaining hopes of an improvement on its £27m all-share bid for Gleneagles Hotels when it declared its offer final. The bid will close on Thursday, February 23.

3i extends its offer for Edith

BY DAVID DODWELL

Investors in Industry—now known as 3i—yesterday extended its bid for Edith, the investment trust, which values the company at £54.75m. At the same time, it said its present offer was final.

had received acceptances which would boost its stake in Edith to just over 48 per cent. It said the offer will now close on February 27.

NEW ISSUE

All these bonds having been sold, this announcement appears as a matter of record only.

January 1984

CNT

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S.G. Warburg & Co. Ltd.

The Floating Rate Notes (with the Warrants), issued at 101.25 per cent., in the denomination of U.S. \$ 10,000 each and the 11 3/4% Notes Due 1989, in the denomination of U.S. \$ 1,000 each have been admitted to the Official List by the Council of the Stock Exchange subject to the issue of the Temporary Global Floating Rate Note, the Global Warrant and the Temporary Global 11 3/4% Note. Interest on the Floating Rate Notes is payable quarterly in arrears on February, May, August and November, commencing in May 1984. Interest on the 11 3/4% Notes is payable annually in arrears on 21st October, commencing on 21st October 1985. Particulars of the Floating Rate Notes, the Warrants and the 11 3/4% Notes are available in the Eurol Statistical Service and may be obtained during usual business hours up to and including 24th February 1984 from:

Farmure Gordon & Co. 9 Moorfields Highwalk London EC2Y 9DS

10th February 1984

